Otto Lambsdorff
Why German boardrooms must be reformed
Management, Page 7

Opera at Bayreuth
Half a cheer for half a Ring
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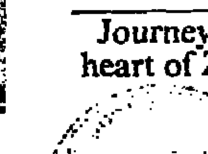
Heartbeat of America
At last, good news from Detroit
Page 13



TOMORROW'S
Weekend FT
Journey to the heart of Zionism

FINANCIAL TIMES

Europe's Business Newspaper — FRIDAY JULY 29 1994 — D8523A

Profits growth at Commerzbank limited to 11%

Commerzbank's full operating profits rose 11 per cent to DM438m ($276m) in the six months to the end of June, after being more than 30 per cent ahead in the first five months, after the German bank suffered a 68 per cent drop in earnings from trading activities on its own account. Chairman Martin Kohlhaussen (above) had forecast good results from own-account business, but June losses are thought to have been substantial. Page 13

Asian anger over import rule change: Asian textiles and clothing exporters and US retailers and garment producers are protesting at a proposed change in US rules of origin for textiles imports which, they say, could seriously disrupt international trade and investment. Page 12

EU cautious on aid to South Africa: The European Union is poised to approve a package of trade benefits to South Africa which falls short of pledges to offer generous support to the new post-apartheid regime. Page 5

Japanese output rise holds steady: Japanese industrial production rose in the three months to June for the second consecutive quarter, the first time it has done so since the downturn hit nearly three years ago. Page 4

Dow Chemical of the US reported second-quarter operating earnings of $602m, 17 per cent higher than in the same period last year and its best result for three years. Page 13

Imperial Chemical Industries, the UK's largest chemicals company, posted interim profits up 40 per cent to £353m ($547m) as a result of self-help and a surprising rise in demand. Page 14; Lex, Page 12; Details, Page 20

Russia reviews share trading rules: The Russian government said it would devise rules to regulate share trading as the country's best-known company, the MMM finance house, tottered on the verge of collapse. Page 2

International Business Machines is expected to consolidate its personal computer operations in the US with the loss of about 2,000 jobs, or 20 per cent of the division's workforce. Page 16

Interim profits down at BCH: Spanish banking group Banco Central Hispano reported a 19.5 per cent first-half fall in its net consolidated profits, to Pta29.3bn ($225.8m), but said it was strengthening its balance sheet and improving the core banking business. Page 14

Russian bus hijacked: Four armed hijackers in Pyatigorsk, southern Russia, took 40 bus passengers hostage and demanded a getaway helicopter and a $15m ransom. It is the fourth such attack since December.

Budweiser boosts Kirin's profits: Kirin Brewery, Japan's largest beer and beverage company, said brisk demand for Budweiser beer, sold under licence from Anheuser-Busch of the US, helped push interim profits up 4 per cent to Y35.9bn ($366m). Page 15

Asahi Glass, Japan's biggest glassmaker, reported a 43.9 per cent slide in interim pre-tax profits to Y11.25bn ($115m) because of stagnant demand from the construction and automotive industries. Page 15

Rethink on Malaysia loan: The controversial loan from the UK for the Malaysian Pergau Dam project is being renegotiated and the £234m ($362.7m) cost of an interest rate subsidy over 14 years may be reduced. Page 4

Scholes agrees Hanson bid: Scholes Group, UK maker of electrical installation equipment, agreed to a £96.1m ($149m) bid from Hanson, more than 20 years after it first held merger talks with the conglomerate's Crabtree subsidiary. Page 14

Block trade market system for Paris: The Paris bourse is to operate a block-trade market system from October in an attempt to recoup some of the domestic business which has migrated to the London Stock Exchange's Seaq international trading system. Page 13

Office costs soar in China: Rents for city offices in China and Vietnam have risen sharply this year to become some of the most expensive in the world as international companies seek footholds in rapidly emerging markets. Page 12

■ STOCK MARKET INDICES		
FT-SE 100:	3,095.9	(+13.6)
Yield	4.04	
FT-SE Eurotrack 100	1,372.12	(+2.04)
FT-SE-A All-Share	1,550.6	(+0.4%)
Nikkei	20,247.85	(+110.62)
New York: lunchtime		
Dow Jones Ind Ave	3,737.63	(+17.16)
S&P Composite	454.63	(+2.06)

■ US LUNCHTIME RATES	
Federal Funds:	$4\frac{5}{16}$%
3-mo Treas Bills: Yld	4.511%
Long Bond	$84\frac{3}{32}$
Yield	7.537%

■ LONDON MONEY		
3-mo Interbank	$5\frac{7}{16}$%	($5\frac{3}{8}$%)
Liffe long gilt future:	Sep $101\frac{1}{32}$	(Sep $101\frac{1}{8}$)

■ NORTH SEA OIL (Argus)		
Brent 15-day (Sep)	$18.11	(17.92)

■ GOLD		
New York Comex (Aug)	$386.9	(387.7)
London	$387.3	(388.4)

■ STERLING		
New York lunchtime:		
$	1.5267	
London:		
$	1.5319	(1.5309)
DM	2.4195	(2.4126)
FFr	8.2805	(8.2448)
SFr	2.0481	(2.0468)
Y	151.684	(150.039)
£ Index	78.8	(78.6)

■ DOLLAR		
New York lunchtime:		
DM	1.58585	
FFr	5.4175	
SFr	1.3452	
Y	99.2	
London:		
DM	1.5795	(1.576)
FFr	5.3925	(5.3858)
SFr	1.337	(same)
Y	99.02	(98.01)
$ Index	63.3	(63.1)
Tokyo close Y 98.44		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lw60.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00		
Czech Rp	CZK50	Israel	Shk8.90	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr18		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00		
France	FFr9.50	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500		
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L30000		
						UAE	Dh12.00		

Smell of decay lingers in Kigali, city of the dead

By Leslie Crawford, recently in Kigali

There is an emptiness about Kigali which is more sinister than the mere lack of people.

It is the city where the genocide of Rwanda's minority Tutsi community began in April, and a faint, cloying smell of decaying flesh alerts newcomers to the fact that in Kigali, the living are outnumbered by the dead.

After the massacres, the majority Hutu population took flight as the rebel Rwandan Patriotic Front, led by Tutsi exiles, captured the capital. It is a city of abandoned cars and abandoned villas. The three-month-long battle for Kigali, which ended earlier this month, also left its scars. The parliament building, which stood upon one of the city's seven hills, was bombed beyond repair, so that the ceremony which installed Rwanda's new RPF-led government had to be held outdoors.

There was no officialdom present at the ceremony. Most civil servants were recruited from the ruling Hutu party, now in self-imposed exile. The new government has no bureaucracy to execute its orders and no people to govern.

The foyer of the Meridien hotel, where half the new cabinet has taken up residence, is barricaded with sandbags. Few of its windows withstood the constant shelling which marked the fight for that sector of the city. There is no electricity to lighten the gloomy interior and like the rest of the capital, the hotel has no running water.

Therese, a Hutu employee left in charge of the Meridien after the evacuation of its European management, has only ventured outside the hotel once since the RPF took control of Kigali.

"I went to see if my house was still standing," she says. "A Tutsi family has taken it over."

She does not plan to register a complaint. She fears the new government and the boy soldiers who guard the numerous RPF roadblocks in the city. Inside the hotel, however, she feels protected by the presence of UN troops who are billeted there. The RPF victory has sounded the clarion call for the Tutsi diaspora to return home.

Driven into exile by a succession of Hutu governments, the returnees are breathing new life into the capital. They are easy to spot in their overloaded cars with Burundese or Ugandan number plates.

Mr Protais Nkeshimana, a taxi-driver born in neighbouring Burundi, set foot in the land of his parents for the first time this week. After driving around Kigali, he chose an empty mansion in one of the capital's smartest districts to begin a new life. "If the owner comes back, we will vacate the house," he says, without much conviction. In the new Rwanda, there are as yet no courts or police to evict him. Outside the offices of Transintra, an international shipping company, Emile Twahirwa has come back to inspect the damage wrought by the widespread looting which accompanied the massacres in Kigali.

Twahirwa, a Tutsi, was separated from his wife and daughter when the killings began. He was saved by an officer of the former Hutu army, who gave him a Hutu identity card and helped him escape from the capital. His family was murdered.

"Every exile I know plans to return," he says. "We must rebuild the country, but this time without the ethnic

Continued on Page 12

GM doubles profit to record $1.9bn in second quarter

By Kevin Done, Motor Industry Correspondent, in London

General Motors of the US, the world's biggest vehicle maker, more than doubled its net profits to a record $1.9bn in the second quarter from $889m in the same period a year ago.

The big three US vehicle makers – GM, Ford and Chrysler – all achieved record profits in the second quarter, as they continue to recover strongly from the heavy losses of the early 1990s.

Their profits are rising sharply helped by the continuing strength of the North American market and the start of recovery in western Europe, where GM is currently the most profitable volume carmaker.

GM remains the highest cost producer in North America with profit margins far below Ford and Chrysler, but it is starting to reap the benefits of the drastic restructuring of its North American automotive operations, which have suffered losses for the last four years in succession.

In the second quarter, GM's domestic automotive operations achieved a net profit of $723m compared with a loss of $33m in the corresponding period a year ago, and the recovery was the key factor behind the overall group's record profits.

GM's international automotive operations also increased net profits by 77 per cent in the second quarter to $543m from $306m a year ago reflecting continuing high earnings in Latin America and "significantly improved profitability" in Europe.

GM Hughes Electronics, the group's defence and automotive electronics subsidiary, increased its net profit in the second quarter from $232m to $267m. Its Electronic Data Systems subsidiary raised its earnings to a record $197m from $178m, but GMAC, its financial services operation, suffered a fall in earnings to $216m from $285m a year ago.

GMAC is continuing to be hit by the weakness of GM's balance sheet, which has been battered by the heavy losses of recent years, which have undermined its credit ratings.

In the US, GM's share of the car and light truck market in the first half fell to 33.7 per cent from 34.4 per cent in 1993. GM said the decline, in particular in the second quarter, reflected the start-up of production of new models and the group's inability to meet higher than expected demand for some other key vehicle lines.

In North America it had still achieved its best six-month sales performance since 1990.

GM, which includes Opel/Vauxhall and Saab, increased its share of the west European new car market to 12.9 per cent.

Mr Jack Smith, chief executive, said that GM recognised that it could not become "complacent" after its second quarter results. "We still have a lot of work ahead to improve our earnings power and achieve target earning margins."

In the second quarter it achieved a net margin of 2.7 per cent on its North American automotive operations against a loss of 0.1 per cent a year earlier, but its international automotive operations increased their net margin to 7.5 from 4.6 per cent. "The dramatic improvement in margins is an encouraging sign that we're on track. We're still considerably short, however, of our 5 per cent annual net margin target," Mr Smith said.

In the first half, GM virtually doubled its group net income to $2.78bn from $1.4bn a year ago on a turnover, which rose from $70.8bn to $77.9bn. Before changes in accounting principles net income rose to $33.5bn.

The North American automotive operations achieved a net income in the first half of $526m compared with a loss of $203m a year ago, while international automotive operations doubled earnings to $969m from $446m.

Best yet to come, Page 13

Removal men start loading valuables belonging to businessman-politician Bernard Tapie from his Paris mansion to sell as part payment of FFr1.2bn Credit Lyonnais claims he owes the bank Report, Page 2 AP

Moscow pledge on share trading

By John Lloyd in Moscow

The Russian government yesterday said it would devise regulations on share trading as the MMM finance house tottered on the verge of a collapse which would destroy the dreams of large numbers of its shareholders.

The investors are unlikely to be compensated, certainly not in full, if the pyramid investment organisation collapses – though Mr Sergei Dubinin, the acting finance minister, has been put in charge of a committee which will see what can be done.

The cabinet meeting called to consider the crisis at MMM – which now has an estimated 20,000 people waiting around its Moscow headquarters to trade in their shares – heard an astonishing litany of government insouciance in the face ofthe unorthodox activities of MMM.

It had not paid Rbs49.9bn of tax and had not maintained or shown to the authorities proper records, according to Mr Vladimir Gusev, head of the taxation service. It continued to sell shares through a company named Russia House Selengha, despite a ban on such trading by the Supreme Arbitration court. It has also, according

Continued on Page 12

Lawyers resist Berlusconi detention

By Robert Graham in Rome

Lawyers were yesterday involved in a tug-of-war with Milan magistrates to block the imprisonment of Mr Paolo Berlusconi, younger brother of the Italian prime minister, on corruption charges.

Milan magistrates issued an arrest warrant for Mr Paolo Berlusconi on Tuesday, alleging his involvement in paying bribes totalling L330m ($211,500) to the Guardia di Finanza, the financial police, over tax inspections of the Fininvest group.

The arrest warrant for the brother of Mr Silvio Berlusconi continued yesterday to cause nervousness in the financial markets about the stability of Italy's rightwing coalition government. The lira continued to fluctuate below the psychological floor of L1,000 against the D-Mark; but recovered slightly to L1,003 in late trading.

Anti-corruption magistrates in Milan have insisted on the 42-year-old Mr Paolo Berlusconi's detention on the grounds he might tamper with evidence. But supporters of the Berlusconi government pointed out that two

Continued on Page 12
Bank of Italy problem, Page 2

Tagamet fails to win US backing for sale without prescription

By Paul Abrahams in London

Tagamet, SmithKline Beecham's top-selling ulcer drug, should not be cleared for non-prescription sales in the US, two advisory committees of the Food and Drug Administration unanimously recommended yesterday.

The decision is a blow for the Anglo-American healthcare group, which had been hoping to use over-the-counter sales to counter the expected rapid decline in Tagamet revenues in the US after the expiry of its patents in May.

Goldman Sachs, the US investment bank, had been predicting worldwide non-prescription sales for Tagamet of £100m ($150m) by 1997. Tagamet is already available without a prescription in the UK. SmithKline's shares yesterday fell 11½p to 408p.

Another FDA advisory committee refused to recommend Rogaine, Upjohn's baldness treatment, for sale without a prescription. The two rejections reinforce industry concerns that the chances of extending drugs' revenues after patent expiries through non-prescription sales are being jeopardised by the FDA's increasing conservatism.

"This is a substantial setback for SmithKline Beecham. It's really important to be first to the market with these new generation drugs. The first could generate annual US sales of $500m by 1995, the second $200m, and the third $100m," said Mr Viren Mehtha, of drugs analysts Mehtha & Isalay.

This is the second time FDA advisory committees have refused to recommend Tagamet.

The committees will today consider whether to recommend Pepcid for sale without prescription. The drug, marketed by Merck and Johnson & Johnson of the US, is one of Tagamet's main rivals. Another rival, Zantac, Glaxo Holdings' top-selling product, is also being developed for non-prescription use.

The committees were concerned about possible interactions of Tagamet with two widely prescribed medicines – Upjohn's sleeping pill Halcion, and theopylline, an asthma treatment. However, they said their concerns about the effectiveness of Tagamet for heartburn had been met.

SmithKline Beecham said it would conduct additional clinical trials to meet the committees' concerns. The committees voted the drug could be licensed without further intervention by them if their concerns were met.

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Berlusconi troubles rebound on Bank of Italy

By Robert Graham in Rome

The Berlusconi government has failed to resolve the delicate issue of nominating a new director-general for the Bank of Italy, letting the matter slip until September.

The bank's Higher Council, responsible for making the formal nomination, had been expected to agree yesterday on a replacement for Mr Lamberto Dini, who left to become treasury minister after general elections in spring.

But Mr Antonio Fazio, the bank's governor, failed to signal that the council would be called in extraordinary session; only such a meeting can determine who will hold the number two job at the bank.

The postponement is a further sign of difficulties encountered by Mr Silvio Berlusconi, the prime minister, as he tries to fill top jobs. It was only this week, after two month's wrangling among the partners in the right-wing coalition, that the government agreed on the compromise choice of Mr Michele Tedeschi to head Iri, the principal state holding.

Attempts to find an acceptable successor to Mr Dini have come up against competing interests in the Bank of Italy and the government.

Although the 13-man Higher Council choses the replacement, their choice must be confirmed by the head of state in conjunction with the prime minister and treasury minister. In the wake of the Council's previous abortive meeting at the start of the month, the government issued a strongly worded statement asserting its right to make nominations to senior posts at the bank. This right was not to be confused with the bank's autonomy, the statement insisted.

However, the Bank of Italy continues to press for someone from within the institution, preserving both tradition and a sense of autonomy. The logical successor, in hierarchical terms, would be Mr Tommaso Padoa Schioppa, the most senior of the two deputy director-generals. But the government regards him as too close to Mr Carlo Azeglio Ciampi, who resigned as bank governor to become prime minister in 1993 and who promoted Mr Fazio above Mr Dini.

The Berluscont government wants to introduce new blood to the bank. Its favoured candidate has been Mr Rainer Masera, a former head of the bank's research department, liberal economist and currently in charge of Imi, the state controlled financial group.

A compromise which would give the vacant job to Mr Vincenzo Desario, the junior deputy governor who is close to Mr Fazio, has yet to find support. But the weaker the Berlusconi government becomes, the more Mr Fazio is likely to get his own way.

The debate over the choice of a replacement does not reflect on the quality of the respective candidates but rather whom each person is seen to represent. Whatever the outcome, relations between the government and the bank risk being damaged.

Bank officials said yesterday that, by allowing more time for reflection, it was hoped an acceptable solution could be reached that would avoid harming such a sensitive relationship.

Good links between the two have become all the more important as the economy begins to recover from recession and as the government crisis produces speculative pressure on the lira that could force up interest rates.

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Emma Tucker on the problem at the heart of airline competition in Europe

Flying the flag crowds airways

To understand why air transport is one of the last industries to face the rigours of competition in Europe, a good starting point is terminal 2, at London's Heathrow airport.

From the spectators' gallery overlooking the European hub, the picture is clear. Spain's Iberia sits alongside Air France. Germany's Lufthansa follows the Dutch KLM carrier on to the runway. The blue insignia on the tail of Belgium's Sabena pokes out from behind Italy's Alitalia.

"The biggest barrier to air transport liberalisation in Europe is this crazy idea that every member state has to have its own airline," said a European Commission official. The result is that a relatively small land-mass is supporting too many airlines.

Europe's state-owned airlines occupy the same place as flags, languages and national anthems in the hearts of Europe's citizens. "People still assume there is something glamorous about flying," said the official. "But... airlines are just glorified bus companies."

National pride more than anything explains why, six months after a Brussels committee urged Europe to speed up liberalisation of its airways, the Commission was yesterday unable to veto the last of three cases of state-aid to airlines to come before it this year – Air France, Greece's Olympic and TAT of Portugal.

"It wasn't really a question of what Brussels believed, it was a question of what it could get away with," said an industry official yesterday.

To the horror of private airlines without state subsidies, such as British Airways, and state-owned airlines that have restructured before privatisation, such as Lufthansa, the Commission allowed the French government to pump FFr20bn (£2.4bn) into the bankrupt Air France and the Greek government to inject Dr54bn (£147m) into Olympic. Earlier this month, the Portuguese Airline TAP was allowed to benefit from Es180bn (£723m) of government money.

According to industry analysts, the decision to allow the French government and others to have their way is merely prolonging the agony for airlines that before long will have to face full-blown competition.

"FFr20bn is enough money to create a new airline from scratch," said Mr Kevin Murphy, airline analyst at Morgan Stanley in New York. "That kind of subsidy will only perpetuate the inefficiencies that already exist at Air France."

Yesterday the US administration made clear its dismay at the Brussels decision.

"In the late 1980s and early

State carriers are like flags, languages and national anthems

1990s, when PanAm and Eastern Airlines went under," said a US diplomat in Brussels, "the US government resisted enormous pressure to intervene. In the long run, US carriers and consumers are better for it. The European Commission should have stood up to these subsidies in the same way."

The diplomat also noted that the Commission's conditions on state aid to Air France left the door open for further aid and were not tough enough to offset the "negative and distortive effects" on competition.

The decision, and the other state-aid approvals, formed part of Brussels' careful approach to liberalising this most sensitive of industries. Its conclusions – in what looked like an attempt to steer a course between the EU's liberalisers and more interventionist members – argued that although privatisation was the implicit answer to the industry's woes, a restructuring period was necessary first.

The most recent hand-outs were thus the so-called "one time-last time" payments, which would allow carriers to get back on to a normal commercial footing before privatisation.

The question now is how long the airlines can delay privatisation. The one condition that Air France's rivals would have liked to have seen imposed by the Commission would have been a definite date for privatisation. But none was set. Mr Bernard Bosson, the French transport minister gave a vague reassurance that privatisation would follow the three-year restructuring.

"What is happening now, is that everybody knows that the contraction of the airline industry is inevitable in Europe," said the Commission official. "Governments are trying to make sure that when the fight finally comes, their national carriers will be the ones that survive."

Until then – so far British Airways and British Midland remain the only EU "flag-carriers" to operate entirely privately – consumers will remain the overall losers.

According to the report on which the Commission's decision was based, European airlines' operating costs are about 48 per cent higher than those of their US counterparts and total labour costs nearly 37 per cent higher.

In addition, global competition is hotting up. "In the US, cost structures are coming down even further, and that will affect European carriers' competitive capability," said Mr Murphy.

"It is obvious that not all the national carriers will survive," Mr Peter Höbel of Lufthansa said yesterday. "Some will just end up servicing regional traffic."

Political motives help keep Greek airline airborne

By Kerin Hope in Athens

The Greek government has strong political motives for ensuring the survival of Olympic Airways, the debt-burdened state carrier.

For a start, more than 4m diaspora Greeks, living mostly in the US, Canada and Australia, travel home frequently. They are courted by Athens as an important source of investment in Greece and influence abroad.

Olympic lost Dr8.7bn (£23.6m) last year on long-haul routes to the US and Australia, equivalent to 66 per cent of overall operating losses.

But, in arguing for approval of its subsidies to Olympic, the Greek government persuaded the European Commission that New York and Sydney flights should be retained under the airline's restructuring plan, approved earlier this week, because they help maintain cultural links and boost trade.

Greek migrants' remittances and shipping income, the Greek negotiators pointed out, together bring in more than $4bn a year, equal to almost two-thirds of Greek export earnings.

US carriers are willing to operate direct flights to Greece only in the summer tourist season.

Seasonality is one of Olympic's problems. Traffic is concentrated between June and September, when passenger loads are close to the maximum. In the winter, months, domestic flights to the Greek islands may be two-thirds empty.

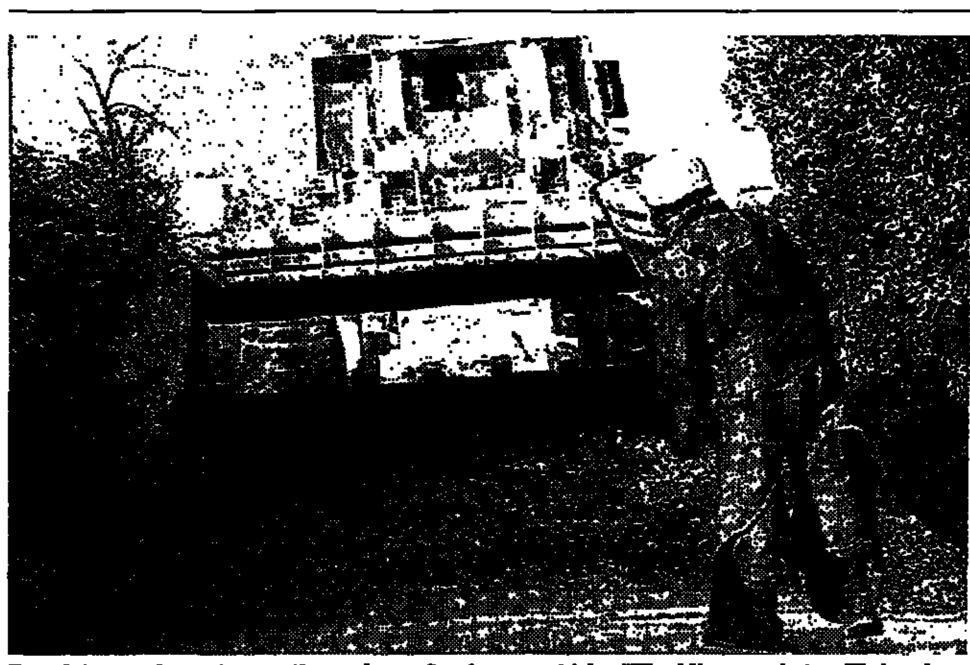
Nevertheless, Olympic is obliged to serve island routes year-round, unlike foreign charter operators who fly between April and October and switch destinations from year to year according to tourist demand.

The government argues that a regular air service is important to keep Greek island communities alive.

Population of the Aegean islands has stabilised over the past decade, after 20 years of decline. More than 20 island airports are now able to handle medium-sized passenger jets.

In addition, Greece's dispute with Turkey over control of Aegean airspace means that maintaining flights to the eastern Aegean islands, close to the Turkish coast, is seen as vital to the national interest.

Aside from politics, Greek passengers on international flights show a surprising degree of loyalty to their national carrier, considering its record on punctuality and customer service is considered the poorest among European Union airlines.



French troops clear mines on the road near Sarajevo on which a UK soldier was shot on Wednesday

Russia and US split over Serb reply to peace plan

By Philip Stephens and Chrystia Freeland in London and John Lloyd in Moscow

General Pavel Grachev, the Russian defence minister, said yesterday after a meeting with Bosnian Serb leaders that he was certain they would accept the latest peace plan following their refusal to do so last week.

Gen Grachev's optimism was not shared by all officials from other contact group nations. Mr Warren Christopher, the US secretary of state, yesterday characterised the initial carefully qualified Serbian response to the peace plan as "tantamount to a rejection".

A new Bosnian Serb response to the plan is expected to be discussed at a meeting tomorrow in Geneva of the foreign ministers of the five-nation contact group. This group put forward the initial peace proposal, which set out a partition of the territory.

With the Americans and Russians at odds over how to pressure the Serbs into complying with the peace plan, and European government nervous for the troops they have stationed in Bosnia, diplomats fear splits in the group could ultimately lead to an escalation of fighting in Bosnia.

Gen Grachev, whose government is constrained by a powerful pro-Serbian domestic lobby but also has the most leverage over the Bosnian Serbs, offered Bosnian Serb leaders three unspecified proposals from Russian President Boris Yeltsin meant to make the peace plan more palatable. Gen Grachev said that the Bosnian Serbs had not agreed to the initiative in full but indicated their willingness to accept the peace plan if certain, unspecified, changes were made in the course of future discussions.

In Britain, officials fear that the US administration might take a harder line than other members of the contact group, urging an extension of Nato's military role in Bosnia and the subsequent lifting of the arms embargo. British officials are concerned that Moscow might pull out of the Geneva meeting, forcing its postponement.

Mr Douglas Hurd, the UK foreign secretary, warned ministerial colleagues in London yesterday that if Washington did not accept a more graduated approach to increasing pressure on the Serbs, Britain could be forced into a rapid withdrawal of its troops.

But in testimony before the House foreign affairs committee in Washington, Mr Christopher took a gentler stance.

Mr Christopher said pressure to lift the arms embargo would become "irresistible" only after failure of tightened sanctions and stricter enforcement of existing safe havens.

Germans fear weak $ will hit recovery

Industry looks to Bundesbank for cut, writes Christopher Parkes

Germany's industrial leadership has been showing signs this week of increasing restiveness about the strength of the economic recovery and the effects of exchange rate distortions on business prospects.

Mr Henning Schulte-Noelle, chairman of the Allianz insurance group, warned in Munich that continuing dollar weakness could "draw a line through our calculations" for 1994.

Every one pfennig drop in the value of the US currency below the official fixing of DM1.7263 on December 31 last year implied a drop in the company's sales of DM100m ($63.6m), he claimed.

An interim profits report from BMW, the quality carmaker, also warned of "considerable risks" for economic developments in the renewed strength of the German currency.

"A continued rise in the external value of the D-Mark could bring the expected economic recovery back into question," it said.

Meanwhile, Gesamtmetall, the engineering industry employers' association, warned there would be no "sweeping improvement" in the sector's earnings this year after aggregate losses of DM7bn in 1993.

Even though new data has shown orders for machinery and plant continuing to rise – they were up a real 10 per cent in the first half of the year – Gesamtmetall said the need for rationalisation was still as strong as last year.

The association's gloom stemmed from a survey in May by the respected Ifo economics institute of more than 1,000 engineering and electrical companies, in which only 38 per cent said they expected better results this year.

Since two-thirds of these more optimistic forecasts came from companies which made losses in 1993, the association suggested that most of them expected no more than reduced deficits this year.

Although the association's warning that "a lot remains to be done, above all on the wages front" smacked of politicking in advance of the 1995 wages round, due to start in the autumn, it echoed worries voiced by individual companies.

According to Siemens, Germany's biggest electrical engineering group, price competition and currency factors had depressed prices of some products by up to 10 per cent.

Simultaneous warnings from two of Germany's leading companies also suggested real concern that the Bundesbank's tight hold on interest rates – one reason for the D-Mark's strength – could damage prospects for many industrial sectors.

Although most economists expect at least one more cut in the internationally-sensitive 4.5 per cent discount rate before the end of the year, this week's statements suggest pressure is mounting for a move as soon after the summer break as possible.

Too much water and wine don't mix

Thunderstorms have wrecked some of the best French vineyards, writes John Ridding

For some French wine producers it never rains, but it pours. The violent thunder and hailstorms that have rolled across France over the past few weeks have struck at random, causing serious damage to some vineyards, while leaving others untouched.

Take the case of the Puligny-Montrachet vineyards in the Burgundy region of eastern France. Heavy hail on the night of July 17 could reduce this year's production by up to 20 per cent.

Some vineyards are particularly affected. Chartron and Trébuchet, a company which owns and manages vineyards on the region's Montrachet hill, says that its grands crus and premiers crus have suffered severely.

"As far as the Domaine Jean Chartron is concerned, the parcels Clos des Chevaliers, Clos du Cailleret, Clos de la Pucelle and Les Folatières have unfortunately been devastated by more than 50 per cent," says Mr Louis Trébuchet.

A colleague points out the element of chance involved. "In Burgundy we have to live with hail. But it is very pinpoint. A few hundred metres away there will be no damage," she says.

There may be a silver lining to the hailstorm clouds. The scarcity of this year's vintage could raise prices of the Domaine Jean Chartron wines, for which the grands crus already cost more than FFr300 (£36) a bottle. But wine experts say that any increase in prices will be determined by the quality of this year's wine and the production in rival high-quality vineyards.

Other regions have also been affected by the recent storms. "Last weekend there was some damage," says a spokesman for the association of Bordeaux wine producers. "But it appears very isolated and I don't think there will be a widespread affect on production. For those which have been affected, however, the effects can be very damaging."

Until the harvests are gathered over the next few months, it is unclear whether 1994 will mark another year of declining production. Total production fell in 1993 by 19 per cent, to 53m hectolitres, according to Insee, the national statistics office.

Last year, too, the weather was to blame. "The harvest was greatly affected by rain," says Insee, citing Aquitaine in southwestern France as one of the worst-hit regions.

In general, however, the report concludes that the quality of the harvest was not greatly affected and "1993 should count among the good years". There were other encouraging signs. Consumption rose by 7 per cent in volume terms, after several years of decline, although prices continued their downward trend.

The sole exception, according to Insee, has been for Burgundy wines, where the average price rose by 6 per cent last year. As they survey their ravaged vineyards, however, that may prove little consolation for the producers of Puligny-Montrachet.

EUROPEAN NEWS DIGEST

Brussels clears BT-MCI link

The European Commission has cleared an alliance between British Telecom and MCI, the US operator, to provide global telecom services to multinational companies. The ruling, which remains in effect until the year 2000, removes the last serious regulatory hurdle to the deal which US authorities approved earlier this month. The ruling yesterday is the first in-depth examination by Brussels of global alliances in the fast growing telecom market.

The ruling covers the plan by BT to take a 20 per cent stake valued at $4.3bn (£2.77bn) in MCI and the proposed joint venture known as Concert to provide services such as data transmission, video-conferencing and global calling cards. The Commission said the BT stake in MCI was not a threat to competition as BT had no possibility of controlling or influencing MCI. On the other hand, it would restrict competition as the two companies were at least "potential competitors" in the market for value added services and general telecommunications. It also found that the appointment of BT as exclusive distributor of Concert within the European Economic Area (EEA) – which covers the EU as well as Austria, Finland, Iceland, Norway and Sweden – was anti-competitive. It has obtained an assurance that any user in the EEA will be able to obtain Concert's services through MCI. In addition, a provision intended to dissuade MCI from entering the EEA market will last for five years. *Lionel Barber, Brussels*

Bank seizes Tapie's furniture

Crédit Lyonnais yesterday seized most of Mr Bernard Tapie's valuable 18th century furniture and pictures from his Paris mansion in order to sell them as part repayment of the FFr1.2bn (£144m) which the businessman-politician owes the bank. Mr Tapie denounced the seizure as "illegal and politically motivated". In March Crédit Lyonnais agreed to spread repayment of Mr Tapie's debts over four years, but it claims Mr Tapie has since failed to honour provisions relating to his mortgaged furniture. Mr Tapie claims the bank breached the March debt accord, an argument which his lawyers will put to a court hearing in late October, at which Crédit Lyonnais is separately seeking to recover FFr237m of its loans. Mr Tapie claimed yesterday that he had enough assets to cover his debts. *David Buchan, Paris*

OECD delays picking chief

Ambassadors to the Organisation for Economic Co-operation and Development removed the question of who should become the new head of the institution from the agenda of a council meeting yesterday, delaying a decision until September. The OECD's 25 members have been divided for months over which of four candidates should become secretary-general when the second five-year mandate of Mr Jean-Claude Paye expires in September. Mr Donald Johnston – former head of Canada's Liberal party who has the backing of the US, Japan and, according to his supporters, at least 10 other countries – is believed to be the leading candidate. Mr Paye, who is seeking a third term, is said to be the second favourite, with Mr Nigel Lawson, former British chancellor of the exchequer, behind him. Diplomats said the fourth candidate, Germany's top trade negotiator Mr Lorenz Schomerus, appears to be out of the running. *Reuter, Paris*

France trims key interest rate

The Bank of France yesterday trimmed its key short-term interest rate by one-tenth of a percentage point, to 5 per cent, in a further easing of monetary policy. The cut in the intervention rate, the floor for money market rates, was consistent with the central bank's strategy of tracking the German repo rate lower while maintaining a gap of 15-25 basis points. Yesterday's move leaves France's intervention rate 15 basis points above the repo rate. Economists in Paris said another cut appeared unlikely in the next month as the Bundesbank had frozen the repo rate until at least the last week of August. *John Ridding, Paris*

Reynolds faces beef report

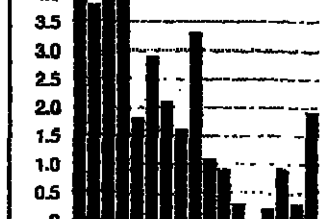
A report on alleged irregularities in the Irish beef trade is due to be presented to the Irish government today, with potentially embarrassing repercussions for Mr Albert Reynolds, the prime minister, who was agriculture minister during some of the period under investigation. The report is expected to answer questions raised during the inquiry regarding Mr Reynolds' prudence in providing unprecedented levels of export credit insurance for beef exports to Iraq. Mr Dick Spring, foreign minister, who leads the Labour half of a coalition government with Mr Reynolds' Fianna Fail party, is understood to have made allegations about Mr Reynolds in evidence given to the inquiry, which sat between June 1991 and July 1993. The Irish government will discuss the findings of the inquiry, which is understood to have cost I£25m (£24.7m), at a special meeting next week. *John McManus, Dublin*

EU voters support vetting

A large majority of voters throughout the European Union support the European parliament's new powers to vet members of the European Commission, according to an EU-wide opinion poll published yesterday. According to the survey, carried out by the European Commission as part of its regular Eurobarometer series, 73 per cent of EU voters say the president and members of the Commission should hold office only if they are supported by a majority in the Strasbourg parliament. Only 9 per cent oppose this view, the survey indicates. Following its narrow vote in favour of Mr Jacques Santer, designated to take the Commission presidency in January, the parliament is due to hold nomination hearings with proposed commissioners in autumn. *David Marsh, London*

ECONOMIC WATCH

Dutch GDP outstrips forecast



Dutch gross domestic product rose 1.9 per cent in the first quarter of 1994 against the year-earlier period, outstripping a preliminary estimate of 1.3 per cent made in early June. The central statistical office said the upward revision was largely due to availability of more accurate foreign trade figures, which showed a 7.1 per cent jump in the volume of goods and services sold abroad in the first three months of the year. The 1.9 per cent increase – the highest quarterly gain since a 3.3 per cent rise in the opening period of 1992 – was also helped by a 2.5 per cent increase in consumer spending. Purchases of new cars were particularly buoyant, rising by about 25 per cent against the weak first quarter of 1993. *Ronald van de Krol, Amsterdam*

■ Spain's jobless total fell by nearly 30,000 in April-June, the first seasonally adjusted quarterly growth in employment since the opening period of 1991. The jobless total now stands at 3.7m, or 24.2 per cent of the working population.

■ Denmark's unemployment rate in June dropped to 12.3 per cent of the workforce, from 12.4 per cent in May, according to figures released yesterday.

■ Poland's industrial output rose 9.9 per cent in the first six months of this year compared with last year's period. Average inflation over the six months fell to 31.3 per cent from 35.3 per cent in the opening half of 1993.

Negotiators agree tough measures

Compromise deal on US crime bill

By Jeremy Kahn in Washington

House and Senate negotiators reached a compromise yesterday on tough anti-crime legislation that will put thousands more police on US streets, ban several types of assault guns and impose harsher sentences on criminals.

The huge crime bill, which will cost $30bn (£19.3bn) to implement, is a top priority of the administration. It passed both congressional chambers earlier this year in differing forms, but a House-Senate conference committee, responsible for reconciling the two versions, was deadlocked for weeks over several controversial provisions.

The negotiators worked unsuccessfully through Wednesday night, unable to reach a compromise until mid-morning yesterday.

In the end, they kept the ban on 19 brands of assault weapon, passed by both House and Senate, but adamantly opposed by Mr Jack Brooks, House chairman of the conference committee. The negotiators dropped the so-called racial justice provision that would have allowed minority defendants to challenge the death penalty by using statistical evidence that capital punishment is imposed more often on blacks and minorities.

The influential Congressional Black Caucus strongly supported the racial justice measure, but Senate Republicans threated to use a filibuster to kill a bill that included it. The Black Caucus now says it will oppose a procedural vote needed to bring the crime bill to the House floor, but not the bill itself.

The legislation also helps local communities hire 100,000 more police officers, gives states grants to build more prisons, sets up special courts to deal with first-time drug offenders, and increases from two to about 60 the number of federal crimes for which the death penalty can be imposed.

It also mandates life sentences for third-time offenders whose last conviction was for a violent or drug-related crime, allows federal prosecutors to treat offenders as young as 13 as adults in particularly brutal cases, and makes gender-based violence against women a civil rights violation. Gender-based crimes include spouse beating and stalking.

With the Clinton administration pushing hard for the bill, and members of Congress – many of whom are up for re-election in November – eager to prove to their constituents that they are tough on crime, the bill is expected to sail through both chambers in the next week. A vote in the House could come as early as today.

Nussbaum pressed on Whitewater discussions

By Jurek Martin in Washington

Former White House legal counsel Mr Bernard Nussbaum denied yesterday that he had tried to persuade Mr Roger Altman, the deputy Treasury secretary, not to disqualify himself from jurisdiction over the Arkansas savings and loan institution at the heart of the Whitewater affair.

But Mr Nussbaum said he had reminded Mr Altman in February that the Treasury's own lawyers had already determined that there was no "legal or ethical reason" why Mr Altman should step aside, his longstanding friendship with President Bill Clinton notwithstanding. "I left it to him to make his own decision," Mr Nussbaum added.

Mr Nussbaum explained that he was particularly concerned about the "bad precedent" of government officials prematurely excusing themselves from their responsibilities at even the hint of conflict of interest.

At precisely the same time, he went on, Ms Ricki Tigert, nominated to run the Federal Deposit Insurance Corporation, was being pressed by Congress to excuse herself from anything even remotely connected with Mr Clinton, whom she had known for years. She has still not been confirmed.

The exact nature of the discussions between the White House and Treasury between last September and this February emerged as the focus of Republican questioning during the second day of the House banking committee's hearings on the "Washington end" of Whitewater, which involves the first family's land and financial dealings in Arkansas.

This attention was hardly surprising given a front page article in the New York Times predicting a shake-up in the Treasury high command as a result of internal tensions generated by apparently conflicting recollections of who said what, when and to whom.

Bernard Nussbaum is sworn in at yesterday's hearing AP

Mr Altman appears the most vulnerable, though the White House this week expressed confidence in him.

But Mr Bentsen, previously above the Whitewater fray, was reported to be displeased with Mr Altman's conduct, while Ms Jean Hansen, the Treasury legal counsel, was portrayed as being increasingly isolated as both Mr Bentsen and Mr Altman disputed her version of contacts between the White House and Treasury. All three are due to testify next week.

Mr Nussbaum gave nothing away and repeatedly denied even the suspicions of impropriety.

While Democrats on the banking committee, chaired with an iron hand by Congressman Henry Gonzalez, remained supportive, Republicans refined their attacks by the process of having several members yield their allotted five minutes of questioning to Congressman Bill McCollum of Florida, long a leading Whitewater critic.

Mr Nussbaum testily denied assertions by Mr McCollum and Congressman Jim Leach of Iowa that he had acted more as the president's personal lawyer than as legal adviser to the office of the presidency.

But it would have been a dereliction of the latter duty, he argued, if the White House were not kept abreast of issues which might involve the president, putting it in a better position to respond to inquiries from the media.

Thus, last September, it was his duty to know that the affairs of Madison Guaranty, the Arkansas savings and loan, had been referred for possible criminal prosecution to the Justice Department, with at least the chance that Mr Clinton, though not the subject of the referral, could be called as a witness.

"What this involved to me was some possible illegal or improper campaign contributions," he said. "Politicians, presidents, congressmen get thousands of contributions. Somebody may have made improper contributions. This is the president and I recognise we may get press inquiries, but this was not... a big deal."

Guatemala rights agreement fails to take root

By Edward Orlebar in Guatemala City

Only four months after the Guatemalan government and left-wing guerrillas signed a human rights agreement, violations have increased. The United Nations has also yet to install a monitoring mission as stipulated in the accord.

Political killings, disappearances and kidnappings have doubled in the first six months of this year compared to the equivalent period in 1993, according to the Roman Catholic Church's human rights office.

Sightings of tortured bodies on the streets of Guatemala City are becoming more frequent, and the army has continued to recruit youths forcibly in rural areas, violating last March's agreement.

Bureaucratic delays at the UN have stalled the deployment of a mission to verify the application of the agreement, say officials, despite a reported commitment by the UN to set up a mission by the end of June.

The guerrillas of the Guatemalan National Revolutionary Unity thought they had won a small victory by insisting on immediate UN verification in the face of long-standing opposition from the powerful Guatemalan army.

They have now threatened to suspend talks. "If the minimum conditions established in the Global Agreement on Human Rights are not met, it is not possible to continue in a process of negotiation," they said in a statement in national newspapers last week.

The delay has led to complaints by local human rights groups that the international community appears more concerned about keeping to a tight agenda to end the conflict than in fostering the conditions for lasting peace where basic rights are respected.

"They are only interested in a ceasefire, not in seeing a resolution of the substantive issues which are considered to have originated and fuelled the armed conflict," says Monsignor Rodolfo Quesada, a former peace mediator.

The two sides who have been negotiating an end to the 33-year civil war for three years agreed in January on a timetable to sign a final peace agreement in December. Since then they have made strong advances, most recently in Oslo last month when they agreed on the establishment of a "truth commission" to document human rights violations.

But the commission has been criticised as merely symbolic by human rights activists, including the Nobel Peace Prize-winner Ms Rigoberta Menchu, because it will fall short of naming individuals responsible for abuses, and will not provide a moral sanction. Its role will merely be to document events.

About 150,000 people have died in Guatemala's internal conflict, mostly killed by the security forces, according to human rights groups.

Sources close to the talks say the guerrillas were extremely reluctant to agree to a commission with such small teeth, but were overwhelmed by pressure from the UN and the international community.

Cárdenas fails to inspire, but is still a threat on poll legitimacy

Trailing third, the left's man talks of civil protest if there is electoral fraud, writes **Damian Fraser**

MEXICAN ELECTIONS

He campaigns tirelessly around Mexico's countryside and cities, going to as many as 10 rallies in a 14-hour day. He almost never smiles, his face deadly earnest as he relentlessly criticises the governing party and what he sees as the country's deteriorating economic and social conditions.

Mr Cuauhtémoc Cárdenas, presidential candidate of Mexico's leftist Democratic Revolutionary party, was for a long time considered the most serious threat to Mexico's Institutional Revolutionary party (PRI) in the election next month. He came close to winning the presidency in 1988, is the son of Mexico's most revered president, and offers the clearest alternative to the PRI.

But with less than a month to go before the election on August 21, Mr Cárdenas is now trailing a distant third in the opinion polls, and victory looks beyond his reach. Unlike in 1988, his campaign has generated little excitement, and his calls for social justice and democratic transition have largely fallen on deaf ears.

His solemnity and lifeless style contrast sharply with the fiery Diego Fernández de Cevallos, the presidential candidate of the centre-right opposition and at present the main, if distant, threat to Mr Ernesto Zedillo of the ruling party. Even some aides to Mr Cárdenas admit their disappointment with his campaign, and despite the recent moderation of his economic polices, his inability to appeal to younger, middle-class voters.

"The government has convinced the upper and middle classes that Cárdenas would be disastrous for them," says Mr Adolfo Aguilar, Mr Cárdenas's spokesman. "We have failed to come up with a strategy to counter this."

Mr Cárdenas's popularity, which had steadily fallen since the 1988 election, plunged after the first ever television debate held between the country's main presidential candidates more than two months ago. He failed to respond to harsh attacks on his record as governor of the state of Michoacan, and was widely perceived as weak and inarticulate.

But even in third place, Mr Cárdenas represents a threat to the ruling party's hopes of taking power in a peaceful environment. While the other opposition leaders appear ready to accept a PRI victory, Mr Cárdenas has been adamant in his refusal to legitimise an electoral system he believes is biased in favour of the governing party.

> 'If he can mobilise 5 per cent of his support then there could be trouble'

Last week Mr Cárdenas refused to sign a pre-electoral pact of civility with the PRI, saying he would await the outcome before agreeing to sign any accord. Recently he has attacked Mr Jorge Carpizo, the interior minister, for being too partisan to the PRI, and was alone in rejecting the government's appointment of a new special prosecutor for electoral affairs.

He says that if there is fraud in the election, he will mount a campaign of civil protests – as he did in 1988. Although he denies that a threat is intended, he has agreed to send observers to attend a convention on democracy next month hosted by rebel Zapatistas in the state of Chiapas, raising fears of possible co-operation between his party and the Mayan insurgents.

"He could get up to 7m votes," says one official from the PRI. "If he can mobilise 5 per cent of that after the election then there could be trouble."

Since the debate Mr Cárdenas has focused his campaign on poorer agricultural parts of the country. His hope is that the steady fall of incomes and impoverishment of most agricultural workers over recent years will loosen the ruling party's hold on the rural vote.

On the stump, Mr Cárdenas attacks the government's policies of reducing agricultural subsidies and allowing communal farmers to sell their plots to private landowners. He said in a recent interview that subsidies and land reform enabled agriculture to prosper for so long and could do so again.

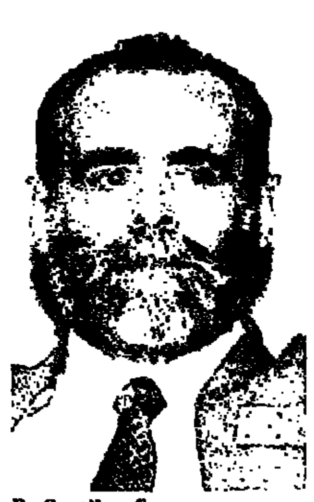
Mr Cárdenas's electoral strategy is risky because the PRI traditionally has dominated the rural areas, winning more than 65 per cent of the vote in more than 80 of the 110 rural districts in the country in 1988. Mr Cárdenas, perhaps because fraud was more prevalent in the countryside, won the overwhelming majority of his votes in the cities in 1988.

But with Mr Zedillo and Mr Fernández clearly ahead in the cities, Mr Cárdenas has decided to gamble on a change in traditional voting patterns. "We are hoping for a high proportion of the votes of farmers who have been hurt by the current administration," he said. "I expect that we will have a better chance of defending the vote this time in the countryside."

If Mr Cárdenas has his eyes on circumstances after the election, he may be calculating that disgruntled peasant sympathisers will be ready to demonstrate in his favour. Some Cárdenas aides reckon the peasant revolt in Chiapas at the beginning of the year may inspire poor farmers to join Mr Cárdenas in protests against electoral fraud.

Mr Cárdenas is adamant that he will not endorse violence. But there seems little doubt that if he believes fraud has robbed him of votes, he will protest the result and challenge the legitimacy of the victor. What is uncertain is how much support he will have.

Cárdenas: little excitement



De Cevallos: fiery

Zedillo: front-runner

Japanese rise in output holds steady

By William Dawkins in Tokyo

Japanese industrial production rose in the three months to June for the second consecutive quarter, the first time it has done this since the downturn hit nearly three years ago.

Increased sales helped output in the second period to rise by 0.8 per cent against the opening three months of the year, when production increased by 1.5 per cent, according to the Ministry of International Trade and Industry. However, it warned that output might weaken in the third quarter, due to price advantages given to imports by the yen's strength.

Output in June rose 2 per cent from the previous month, having fallen in April and May. On an unadjusted basis it was stagnant in the year to June, breaking a record 32 consecutive months of decline.

Manufacturing sales rose 4.1 per cent from May to June, contributing to a decline in stocks of unsold goods. Miti's index of inventories to annual sales fell by 4.1 per cent to 113.5 in June, not far above the 110 at which the ministry believes stocks will be sufficiently reduced in line with demand. Officials said stock reduction was in the final phase and posing less of a drag on production.

Japanese business planned to reduce investment in plant and equipment by 3.2 per cent in the final quarter of the year, after a 2.8 per cent fall in the third quarter and a 4.4 per cent decline in the second period. This confirms that corporate investment has yet to bottom out, and that the fragile signs of recovery are being supported mainly by personal spending.

Anti-personnel mine curb by UK

By Bruce Clark, Defence Correspondent

The UK government, faced with mounting evidence of the tragedy caused by anti-personnel mines, has announced a ban on the export of all such weapons, except high-technology models which are primed to self-destruct.

The "self-destructing" variety of mine is supposed to avoid the risk of civilians being accidentally killed after hostilities have ceased.

More than 100m mines have been scattered around the battlefields of the world, and the United Nations estimates that at least 800 people die every month as a result of stepping on them. Worst affected countries include Afghanistan, Angola, Cambodia and Iraq.

Britain has not in practice sold any mines since 1985. However, this week's announcement is apparently intended to bolster the UK's authority in international negotiations over the trade. It amounts to an undertaking that sales of the cruder variety of mine will not be resumed for an indefinite period.

It does, however, leave open the possibility of developing and exporting the self-destructing model. The Mines Advisory Group, a British charity which helps clear minefields, described the decision as "cynical and misleading". It said the failure rate of self-destructing mines was unacceptably high.

More than 1m supposedly self-destructing mines had remained live after the Gulf war, and similar weapons dropped on Laos by US aircraft 25 years ago were still claiming lives. The Foreign Office said it would be encouraging other countries to follow its example and abide by an agreed code of conduct on mine exports. Italy, the world's third largest exporter of anti-personnel mines, recently promised a blanket ban on their production and export.

US and UK policy has focused more on a "technical solution" to the question of mines, arguing that it is possible to calibrate the weapons in such a way as to make them harmless after their military purpose has been served.

NEWS IN BRIEF

UK dam loan to be renegotiated

The controversial subsidised loan provided by the UK government for the Malaysian Pergau dam project is being renegotiated, report Robert Peston and James Blitz. Bankers said yesterday the £234m cash cost to the UK government of providing the interest rate subsidy over 14 years may be reduced. However, a banker stressed the initiative had come from Malaysia. British officials regard it as a commercial request which does not significantly alter the basis of the subsidy agreement that was struck in February 1991.

Last year, a UK National Audit Office report criticised the method of providing the subsidy chosen by the Overseas Development Administration, saying the cost to the UK taxpayer would be £56m more than if a more economical option had been chosen. The original Pergau loan of more than £300m was provided by commercial banks headed by Schroders, the UK merchant bank. It was made to Tenaga Nasional, the Malaysian electricity authority, for the construction of a hydro-electric dam at Pergau, though the loan was guaranteed by the Malaysian government. Tenaga pays a minimal interest rate, but the commercial banks receive a market rate, thanks to the UK government subsidy.

Asean may act against sect

South-east Asian governments will meet in Malaysia next week to co-ordinate action against an Islamic sect whose growing influence has alarmed the authorities in the Moslem countries of the region, Victor Mallet reports from Bangkok.

The Al-Arqam movement, named after an early companion of the prophet Mohammed in Mecca, is a mystical sect that believes in the imminent arrival of an Islamic messiah. Called "technological sufism" by some supporters, Al-Arqam preaches basic Islamic values but also has extensive business interests - including restaurants, software companies and advertising agencies.

Malaysian police have detained 41 suspected Al-Arqam supporters in the past week, accusing them of distributing pamphlets illegally. Indonesia is also considering a ban, and the small Sultanate of Brunei has already outlawed the group.

Beijing attacked on rights

Human Rights groups have accused Beijing of "tightening the noose" on dissidents following the US decision in May to renew China's most favoured nation trading status and to de-link trade and human rights, Tony Walker reports from Beijing.

Human Rights Watch/Asia said in a 27-page report issued today that the authorities had begun holding dissidents in "prolonged incommunicado detention" without informing their families of their whereabouts or, in some cases, acknowledging their arrest. China also promulgated new security laws in June just days after the MFN decision aimed at "further restricting the ability of activists to meet, speak and organise."

Nuclear bomb claim rejected

Officials in South Korea yesterday expressed strong doubts about a claim by a senior North Korean defector that his country possesses five nuclear bombs, John Burton reports from Seoul.

It said there was no evidence to support the claim by Mr Kang Myong-do, the son-in-law of the North Korean prime minister. Seoul says North Korea has the plutonium but has been unable to convert it into bombs. Similiar assessments were offered by officials in Washington and Tokyo, although they did not totally dismiss Mr Kang's information.

Allies accused by US of appeasing Iran

By Our Foreign Staff

The US yesterday accused its allies of "appeasing" Iran, in the wake of recent terrorist bombings attributed to pro-Iranian Islamic groups.

Although not named, Germany and Japan, both of which have maintained commercial relations with Tehran, were clearly among the targets of criticism from Mr Warren Christopher, the secretary of state, who called Iran an "outlaw nation". The US has also complained in the recent past about German intelligence contacts with Iran.

Yesterday, Mr Christopher told the House of Representatives foreign affairs committee that the bombings in Latin America and London were "a tragic reminder that the enemies of peace remain formidable".

He named Hizbollah, a Lebanese Shia group, as one of a number that "wreak havoc and bloodshed" and must be defeated, adding that "Hizbollah's patron, Iran, must be contained".

Iran, he said, "is an international outlaw, yet some nations still conduct preferential commercial relations with Iran and some take steps to appease that outlaw nation. They must understand that by doing so, they make it easier for Iran to use its resources to sponsor terrorism thorughout the world".

He described himself as "absolutely mystified why these countries are unwilling to put their commercial interests aside and recognise that this kind of terrorism must be dealt with and dealt with very harshly".

In London, Mr John Major, the British premier, accused the Iranian government of presenting "a serious challenge to the international community," amid a growing conviction in Whitehall that an Iranian-sponsored terrorist group was responsible for the London bombings

Mr Major said that Britain would prefer a normal relationship with Iran, but that many aspects of her behaviour were "simply unacceptable."

The prime minister also went out of his way to condemn the Iranian government of behaviour that was "threatening" to the international community.

He said the British authorities could not yet be certain was lay behind the terrorist acts but they had been perpetrated by people "who refuse to abide by the rule of law and by the principles of a civilised society."

His warning came amid indications that British officials have gathered evidence from intelligence sources which suggests the group which carried out the was also responsible for the suicide car bomb attack on a Jewish centre in Buenos Aires, in which 96 people were killed earlier this month.

British officials said there was not yet unequivocal proof of the involvement of Tehran, but that all the circumstantial evidence pointed in that direction. If that judgment was confirmed it could lead to a renewed break in Britain's relations with Iran.

Mr Christopher declined to name the countries appeasing Iran. The US, would share intelligence about Iran with them "to see if we can't draw them back from this conduct which I think unnecessarily encourages Iran and is very destructive of the international coordination that we should have."

● THE UN Security Council is today expected to issue a statement strongly condemning terrorism and emphaising the need for strengthened international cooperation in fighting it in the aftermath of the bomb attacks on Jewish targets in London and Buenos Aires, Jimmy Burns adds.

Nostalgia is part of it, but so is business, writes **Victor Mallet**

France rediscovers Indochina

Perhaps that's what youth is, to believe that the world is made of inseparable things: men and women, mountains and plains, humans and gods, Indochina and France

So said Eliane Devries, the French plantation owner in Vietnam played by Catherine Deneuve in the film *Indochine*.

Such films set in the colonial era - another is *L'Amant*, in which a French schoolgirl has a passionate affair with a wealthy businessman from Saigon - have encouraged thousands of sentimental tourists to visit France's former colonies in Vietnam, Cambodia and Laos.

But the attachment to Indochina goes beyond mere nostalgia. Like the rest of Europe, France has yielded to Japan the greater share of trade and investment in Asia's other emerging economies; it hopes that in Indochina it can recover lost ground and use its cultural, linguistic and historical ties to build a solid base for French companies in the heart of Asia.

President Mitterrand with Nguyen Manh Cam, Vietnam's foreign minister

Little effort has been spared in this quest, especially in Vietnam, the most important and populous of the three countries. France's President François Mitterrand last year became the first western head of state to visit a united Vietnam, and several French ministers have followed.

Mr Mitterrand openly criticised the US economic embargo of Vietnam (which has since been lifted) and his government helped Hanoi with a bridging loan to pay its arrears to the International Monetary Fund. Both gestures were much appreciated by Vietnam's communist rulers, who began economic reforms in the late 1980s and are now presiding over a fast developing but still poor nation of 70m people.

The French embassy in Hanoi - which is being enlarged to cope with its increased responsibilities - says France's aid to Vietnam doubled in each of the last five years to reach nearly FFr500m (£60m) in 1993. France has spent freely on promoting French language and culture.

Evidence of France's extensive commercial involvement in Vietnam is also easy to find, from the oil exploration industry to the banking sector, from the aircraft and crew leased to Vietnam Airlines by Air France to the restored Sofitel-Metropole, the first luxury hotel in Hanoi.

France, with $436m worth of projects approved by Vietnam, is the biggest European investor in the country - albeit behind Taiwan, Hong Kong, Japan and other Asian investors - and its products account for a tenth of Vietnam's imports. About 50 French companies have established offices in Vietnam.

"All things being equal, if you put two companies side by side, the Vietnamese would choose the French over the other, because they know the French," says Mr Joel Claude Grillot of Crédit Lyonnais in Hanoi.

Few Vietnamese are nostalgic about the French colonial era which ended with the communist victory at Dien Bien Phu in 1954, but the cultural ties between the two countries are not merely a product of the French imagination.

Apart from berets and baguettes, the Vietnamese inherited a love of classical music from the French, and most residents of Hanoi are as appreciative as the tourists of the city's broad boulevards and 19th century French architecture. The Vietnamese language has absorbed numerous French words; *ga* (gare) is the station, and *xi mang* (ciment) is cement.

"The French bathed us in blood and fire, they pillaged our country," says Mr Hoang Xuan Dien, a 70-year-old war veteran who speaks fluent French and has relatives in France. "But the true France brought us a very humanist culture and we respect the true French - like Pasteur, for example."

The Vietnamese government not only welcomes France's commercial involvement and the dollars spent by French tourists, but also regards Paris as an important international ally.

Facing an unfriendly China (an old enemy which invaded northern Vietnam briefly in 1979) and a still-suspicious US (defeated in the mid-1970s), Vietnam is anxious to make friends in Europe and around the world.

France, say Vietnamese diplomats, can provide the link not only to Europe but also to the community of French-speaking nations - *La Francophonie*. Vietnam is now bidding to host the 1997 francophone summit.

France's "return to the Indochina stage" - the phrase used by Mr Mitterrand's spokesman - has moved faster in Vietnam than in Laos or Cambodia. In Laos, Australian and Thai investors are particularly active. In Cambodia, France overreached itself by insisting that medical and other students financed by French aid should be taught in the French language, prompting demonstrations by students demanding to be taught in English, the *lingua franca* of business in south-east Asia.

Cambodian officials, some of them brought up in France, also accused France of making empty promises of substantial military aid for the fight against Khmer Rouge guerrillas and then delivering only military advisers.

In both Cambodia and Vietnam, France has now softened its stand on the language issue. French diplomats and aid officials in Hanoi and Phnom Penh readily accept that English is the second language of choice after the local language, while French can be a useful and enjoyable bonus.

Young Vietnamese will learn French if someone else is subsidising their lessons and if they see a chance of a job in Europe or with a European company, but the reality is that most French speakers in Vietnam learned the language before 1954; about 700 students study French at the *Alliance Française* in Hanoi, but most of its 6,000 members are elderly.

Even the supposed commercial benefits for France of its historical ties to Indochina are a matter of debate. "I don't think we're necessarily treated favourably," says Ms Fabienne Couty of the French embassy in Hanoi. "The Vietnamese are very pragmatic."

That view is repeated at the Vietnamese foreign ministry by Mr Trinh Duc Du, head of the western and northern Europe department. "Business is business," he says.

In *Indochine*, Eliane's adopted Vietnamese daughter Camille, a communist leader by the end of the film, puts it much more brutally: "Your Indochina," she tells Eliane, "no longer exists."

Devaluation fears shake Egyptian pound

By Mark Nicholson in Cairo

The Egyptian pound yesterday rallied from a bout of panic selling sparked by heightened fears of an imminent devaluation against the dollar, brokers and bankers said.

The speculative rush jolted the currency to a low of E£3.425 against the dollar at one point on Wednesday, with the central bank entering the market to buy pounds for dollars for the first time in several years. Bankers said they estimated the central bank to have sold anywhere between "tens of millions" and $200m dollars to support the pound. The central bank declined to comment.

The bank, which has amassed foreign currency reserves of $16bn during the past three years of economic reforms guided by the International Monetary Fund and the World Bank, has previously intervened only to buy dollars and limit the rise in the pound, which has been bolstered by high real interest rates.

However, brokers said the local market had been alarmed this week by a report in al-Wafd, a liberal opposition newspaper, that the government and the IMF had agreed in talks last week to devalue the pound to a rate of E£4 by the years' end. "Basically the town ran dry of foreign currency," said one banker.

Dealers said the currency stabilised at E£3.397 yesterday after a series of senior Egyptian officials denied there were any plans to devalue the currency. Dr Abdel Shakur Shalaan, Egypt's representative on the IMF board, was quoted in local newspapers as saying reports of an imminent devaluation were "baseless".

Egyptian officials claimed last month they were resisting strong pressure from the Fund to devalue. Officials argued that whatever benefits such a devaluation might have for Egypt's export competitiveness would be outweighed by the damage to hard-won confidence in the currency.

The IMF is understood to have said that the pound was being held inflexibly at a rate it calculated to be as much as 40 per cent overvalued relative to Egypt's main trading partners. It is also believed to have sought accelerated cuts in interest rates. The benchmark three-month treasury bill rate is 12.2 per cent.

Zimbabwe's new budget aims to appeal to voters

By Tony Hawkins in Harare

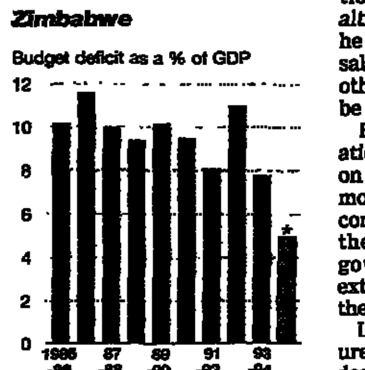
Zimbabwe was presented yesterday with a pro-investment, pro-growth and pro-voter budget that cuts taxes, introduces incentives and narrows the deficit but proposes no significant revenue measures.

The budget deficit in the fiscal year to the end of last month was cut to 7.9 per cent of gross domestic product from 11 per cent the previous year.

Mr Emmerson Mnangagwa, standing in for Dr Bernard Chidzero, finance minister, who is ill, predicted a further reduction to 5 per cent in the current year. This has been achieved largely by leaving some Z$2.5bn (£209m) of accumulated parastatal losses off the balance sheet, including Z$1bn needed to finance the country's strategic grain reserve. If these losses are included, the 1993-94 budget deficit rises to some Z$5.5bn or 14 per cent of gross domestic product.

The government expects revenue to increase by 21 per cent in the current year to June 1995 and spending by 13 per cent, or less than the likely inflation rate.

Despite money supply growth of 40 per cent in the first five months of 1994, the minister was confident that



inflation will fall from 23.6 per cent last month to 15 per cent by the end of the year and 10 per cent by mid-1995. He predicted economic growth of 4.4 per cent this year, against 2.1 per cent (revised) in 1993 and 5 per cent next year.

Tax changes include a reduction in company tax to 37.5 per cent from 40 per cent (with effect from next April), abolition of import duties on all capital goods imports, a cut in the import surcharge on all items from 15 per cent to 10 per cent, and the first significant attempt to adjust personal tax rates for inflation.

The only tax increases are higher duties on opaque (traditional) beer and soft drinks, although Mr Mnangagwa said he would widen the 10 per cent sales tax to cover all services other than exempt activities to be announced later.

Business will welcome creation of a cabinet committee on privatisation charged with moving swiftly to privatise or commercialise parastatals, and the announcement that the government expects to earn extra revenue this year from the sale of unspecified assets.

Less encouraging is the failure to cut defence spending, despite promises by President Robert Mugabe. It will rise by nearly 11 per cent this year, but its share of the total budget falls slightly to 9.5 per cent from 9.7 per cent.

Education takes the lion's share of the budget with more than 20 per cent, while interest charges will absorb 18 per cent.

For the first time, too, a Zimbabwe finance minister acknowledged the country's debt trap problem. Mr Mnangagwa said the country was now in the "paradoxical" situation of having to borrow to meet interest payments.

While there is much in the budget that is positive, the fiscal situation remains unhealthy with national debt rising 28 per cent in the last year alone to $3.5bn.

Wave of violence grows in Nigeria

By Paul Adams in Abuja

Strikes and violent protests against the detention by Nigeria's military regime of Mr Moshood Abiola spread across the country yesterday, while in Abuja's high court Mr Abiola's trial for treason stalled over technicalities and was adjourned until next Tuesday.

Mr Abiola, widely regarded as winner of last year's annulled presidential election, was arrested by General Sani Abacha's regime last month for declaring himself president.

Yesterday the prosecution at the high court hearing changed one of its charges, the defence asked for them all to be struck out and both sides argued over legal procedures until the adjournment.

Half the seats in the tiny court were taken up by the two teams of lawyers, one of whom told the judge "democracy is on trial".

Outside the court, protesters set fire to a barricade of tyres and clashed with hundreds of armed police who had cordoned-off the streets. Many came from the Yoruba-speaking south-west, Mr Abiola's stronghold.

Mr Jesse Jackson, the US envoy despatched to convey President Bill Clinton's concern over the military's refusal to hand power to a civilian government, met Gen Abacha and Mr Abiola, diplomats said. Details of his discussions were not known.

In the commercial capital, Lagos, protests were marred by violence and looting. Lagos has been almost at a standstill since a three-week-long oil workers' strike halted fuel distribution. The protest has been backed by other unions, closing factories and offices.

Many banks are shut and the number remaining in the clearing system is falling. Bankers predict cash shortages in the near future.

Shell Nigeria yesterday confirmed that its oil production, which accounts for half of Nigeria's 2m barrels a day, had been cut by roughly 300,000 b/d as a result of the oil workers' strike.

This has prompted a declaration of *force majeure* on loadings of crude oil by Shell. The company stressed its adherence to "business principles", a reference to its unwillingness to maintain operations if a military guard were needed.

Yesterday, air traffic controllers went on strike. All international flights were cancelled as the military failed to replace civilians in the control tower at Lagos airport.

National party battles to redefine S African role

Speculation mounts that it might withdraw from the cabinet as it attempts to find a political identity

By Mark Suzman in Johannesburg

Having served nearly three months as junior partner in South Africa's coalition government, deputy president F.W. de Klerk's National party is struggling to find an independent political role for itself in the new regime.

Amid widespread reports that several backbenchers and some senior members are advocating that the party withdraw from the cabinet and take up a more traditional opposition role, the NP is trying to develop a new policy framework ahead of next week's opening of parliament.

Speculation about the NP's future has been so intense that it has affected the stock market. On Wednesday the party was forced to publish an official statement denying any plans to leave the cabinet, and defending its "important and constructive" role in the government of national unity mandated by the new South African constitution. Under that constitution all parties which won more than 5 per cent of the vote in April's elections are entitled to proportionate cabinet representation.

The National party has six cabinet members, but with the recent resignation of Mr Derek Keys as finance minister and his impending replacement by Mr Chris Liebenberg, who is not a member of any political party, its representation will be reduced to five.

Mr Keys' resignation also leaves the NP without any cabinet members in senior positions as it had earlier lost a struggle to retain one of the security portfolios. With the party's scope for independent manoeuvre limited by the need for cabinet consensus, local analysts have begun to question whether it will be able to survive as an independent political force.

The problem has been exacerbated by the low profile Mr de Klerk has kept since the elections. Before the poll he and President Nelson Mandela were seen as something of a double act. Mr de Klerk now lacks an effective executive position in government and has been largely relegated to the political background.

This has been, in part, a deliberate decision by the NP to give the new government time to find its feet but, privately, NP ministers have complained about insufficient ANC consultation in government policy-making and younger party members are eager to break free of the artificial political coalition and begin to criticise ANC policies more openly.

With a huge amount of controversial legislation due to be debated in the new parliamentary session, the party has realised it must stake out an independent political position for itself. To this end the NP is due to draw up a new policy framework at a party conference today and Mr de Klerk is set to make a statement on Monday in which he is expected to lay out a plan of action.

NEWS: WORLD TRADE

Japan to soften on opening markets

But not as much as Washington wants. **Gordon Cramb** sees the US deadline draw near

Japan is putting to the US new proposals aimed at opening its markets further to foreign companies, but officials in Tokyo indicated yesterday that these would fall short of the Clinton administration's demands that it agree standards by which improvements could be measured.

The US has set Sunday night as the deadline for agreement on changes in Japan's procurement regime governing telecommunications and medical equipment.

If no agreement is reached, the US will then cite Japan as having a closed market and start the clock running for 60 days of talks and consultations during which Japan would have to make suitable concessions or face sanctions.

That period would end on September 30, the same day the US must announce the world's most unfair trading practices under the revised Super 301 law which allows US action against countries discriminating against US exports.

Mr Sadayuki Hayashi, Japan's deputy foreign minister, was due to arrive in Washington last night for talks with Ms Charlene Barshefsky, the deputy US trade representative. These talks follow the failure of last weekend's negotiating session on liberalising any of the three key sectors in which the US says Japan must show progress: insurance, government procurement of telecommunications and medical equipment, and vehicles.

Moves on the latter two fronts were being suggested in Tokyo yesterday. The Japan Eximbank said it was considering overtures from the big three Detroit car makers for concessional loans which they would use to boost production of right-hand drive vehicles for the Japanese market.

Japan's Ministry of International Trade and Industry said a "viable compromise" could be reached on procurement policies for government departments and other big state purchasing authorities which would benefit foreign telecoms and medical equipment suppliers.

Under an existing agreement to come into force next April, each contract worth more than SDR800,000 ($1.1m) will be put out to international tender. Miti officials suggested that lowering this threshold progressively was the "only reasonable solution" to US complaints that its companies would still be shut out of lucrative deals.

They said potential foreign bidders would be canvassed for their views on technical specifications and price. But they made clear that the current plan would increase tenfold the workload in ministerial procurement departments where Japan's economic downturn had squeezed funding. Mr Hayashi is said to be unlikely to countenance a reduction to anywhere below SDR400,000, and will probably hold out for a higher trigger point and another two years or more before that would take effect.

But Miti acknowledges that these are points of detail in meeting the wider US demand for measurable criteria which would commit the Japanese government to delivering progress in the private sector as well as on its own behalf.

The Liberal Democratic party, which under Mr Kiichi Miyazawa reached the framework agreement with President Bill Clinton last July, may be back in office after a year's absence during which Mr Morihiro Hosokawa, his reformist successor, refused to submit to US strictures during trade talks in February. No Japanese party appears prepared, however, to stomach an accord echoing the 1991 semiconductor pact which committed Japan to allowing foreign producers a 20 per cent share of its domestic market.

Even if they are not expressed in cold numerical terms, Japan sees such targets as handing Washington a stick with which it could be given a beating at any politically convenient moment. But as one US official in Tokyo put it yesterday, "How then do we declare success? Even if it's backward-looking, how are we to know what's good or bad unless we can decide in advance" what the goals should be?

Matsushita Electric eyes India

By Emiko Terazono in Tokyo

Matsushita Electric Industrial, the world's largest consumer electronics group, will establish a marketing subsidiary in India by the end of this year, following approval from the New Delhi government.

Japanese consumer electronics makers have been showing increasing interest in the Indian market due to its size and growth potential. Sony, another leading electronics maker, recently applied for government approval to launch its first television production plant there.

Matsushita said it would start producing this autumn 150,000 colour television sets and 350,000 audio visual products a year through Salora International, a consumer electronics maker based in New Delhi with which the Japanese company has a technical co-operation agreement. The new Indian subsidiary will provide after-sales services and handle publicity.

Cyprus investment bank for Russia

The Cyprus Development Bank is setting up an investment bank in the Krasnodar region of Russia, with backing from Greek and Russian banks and the European Bank for Reconstruction and Development, writes Kerin Hope in Athens.

The new bank, to be called Investment Bank of Kuban, is due to start operating in Krasnodar early next year. It aims at channelling funds from private investors and international agencies into tourism and industry under a plan launched last year by the Cyprus and Russian governments to develop the region.

The state-controlled CDB, together with Commercial Bank of Greece, will control and manage the new bank, which will have a capital base of $7m. In addition to the EBRD, two local banks, Kubinbank and Bank of Kuban, will also take equity stakes in the bank. A CDB official said the bank planned to participate in joint ventures in food-processing, timber and cement production, and tourism, identified in a recent UN-backed study of the region as promising sectors for investment.

Pacific Dunlop in Chinese venture

Pacific Dunlop, the Australian industrial conglomerate, has formed a joint venture with Guangdong Post and Telecommunications Administrative Bureau, to make large sealed lead-acid industrial batteries in China, writes Nikki Tait in Sydney.

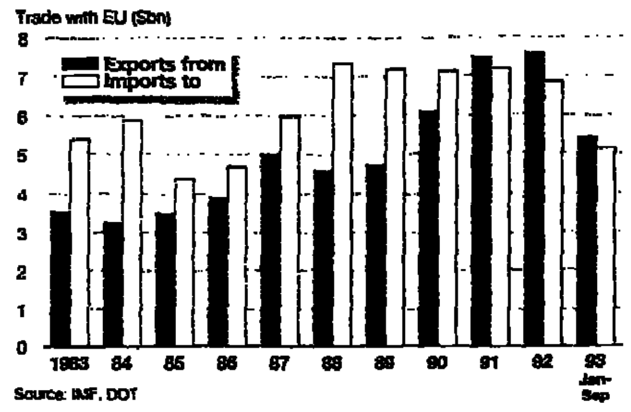
Manufacture of the batteries will centre on the Nansha development zone, and the product will initially be targeted at the Chinese domestic market. The batteries are used primarily in the telecommunications, utility and rail industries, and as a power supply backup for computer installations.

The joint venture company will be 60 per cent-owned by Pacific Dunlop's GNB Industrial Battery division, and 40 per cent by Guangdong Post and Telecommunications.

EU cautious on S Africa aid

By Lionel Barber in Brussels

South Africa



Source: IMF, DOT

The European Union is on the brink of approving a package of trade benefits to South Africa which falls short of promises to offer generous support to the new post-apartheid regime headed by President Nelson Mandela.

The niggardly offer stems from French-led efforts to protect the European market against potentially competitive South African products, particularly in the paper and agricultural sectors, according to British and German officials. A second factor appears to be concern that South African penetration of European markets may be at the cost of francophone Africa, as well as former Portuguese colonies in Mozambique and Angola.

The EU-South Africa negotiations are seen as a test case because the new regime in Pretoria sees itself as the prototype of a new developing country eager to use trade rather than aid to reduce income disparities and compete in the world economy.

Britain and Germany have successfully pressed France to be more forthcoming during negotiations on the trade package, which was promised before the first free elections in South Africa last May.

French hesitation aroused resentment in Brussels because President François Mitterrand insisted on being the first European leader to visit Mr Mandela after his inauguration.

Negotiations involve the EU giving South Africa access to its generalised system of preferences which grants tariff advantages to developing countries to help them export to the EU market. The first European Commission proposal on GSP was estimated to be worth Ecu260m ($317m).

The GSP debate this week has been conducted at EU ambassadorial level in Brussels, with the central questions turning on which manufactured products should be included on a list eligible for GSP. Processed fruit, where South Africa has a distinct competitive advantage, is not on the list because of Mediterranean objections.

Under a compromise, the EU is considering removing some sensitive products from the GSP list and subjecting them to a "tariff free quota" as well as surveillance mechanisms. Among these are wood and furniture (Italy), metal furniture (Portugal), manganese oxide (Belgium) and paper (France). EU diplomats hope for a deal in the next week which could go into effect under a fast-track written procedure, without ministerial approval. But this requires unanimity.

The present trade package is due to last until the new year, when member states are due to approve a revised GSP system which will encourage developing countries to improve labour and environmental standards.

The next step will be to conclude a deal between South Africa and the EU which may include offering the Pretoria regime something like the Lomé Convention, the privileged status accorded to former European colonies in Africa.

Beijing protests at 'unacceptable' US demands for its entry to Gatt

By Frances Williams in Geneva

China said yesterday it was prepared to continue negotiations on terms of entry to the General Agreement on Tariffs and Trade but made clear that certain demands, especially by the US, were "unacceptable".

Speaking to an informal session of the Gatt working party on Chinese membership, Mr Long Yongtu, Beijing's chief Gatt negotiator, said progress since the last meeting a month ago had been "disappointing". Nevertheless, China would continue to participate in negotiations on its accession protocol "with a flexible and constructive attitude".

Perhaps significantly, Mr Long did not mention China's aspiration to become a Gatt member by the end of the year so as to join its successor, the World Trade Organisation, as a founding member. This timetable is looking increasingly ambitious but not yet impossible.

Mr Long's remarks represent a considerable softening of tone from the angry blasts out of Beijing in recent days. Chinese officials have accused the US of blocking its membership bid and have threatened to call off the eight-year talks if Washington does not back down from demanding China join Gatt as a developed country.

China this week circulated a paper outlining what it considered should be in the accession protocol, a move which western trade diplomats took as a clear sign of Beijing's continued readiness to negotiate. However, they said there was a very wide gap between China's "minimalist" version and the "maximalist" terms included in a paper compiled by Mr Pierre-Louis Girard, the Swiss chairman of the working party, on the basis of consultations with Gatt members.

Talks on the draft protocol, and bilateral negotiations on opening China's markets for goods and services, are expected to continue through August and intensify in September.

Mr Long said yesterday that the revised version of Mr Girard's paper, under discussion yesterday and today, remained "unbalanced and unacceptable", and unduly reflected the demands of "one major contracting party", a reference to the US.

In the most detailed statement of Beijing's position so far, Mr Long said China was prepared to take on its full obligations as a member of Gatt and the WTO. It was not seeking special privileges but insisted on its entitlement to full membership rights, including those accorded to developing country members.

Presenting a 10-point list of "non-negotiable" demands in the Girard paper, Mr Long said Gatt members were trying to prevent China having recourse to Gatt's balance of payments provisions and dispute settlement procedures. And he warned that denial of developing country status in agriculture could trigger "social unrest" among China's 800m farmers.

Beijing also opposed tough requirements for phasing in new rules on intellectual property and foreign investment, and accused trading partners of demanding commitments from China which go further than the Gatt or WTO agreements, such as the abolition of all price controls.

Ford sets up first 'used car factory'

Ford yesterday opened what it claims to be the world's first "used car factory", employing more than 200 on a 15-acre facility at Tilbury, Essex, John Griffiths writes.

The "Ford Direct" plant, a joint venture between Ford, logistics group Silcock Express and the Royal Automobile Club, has capacity to recondition and prepare up to 1,500 used cars a week for resale by Ford's franchised dealer network.

The venture is believed to be the first used-car retailing scheme in which the manufacturer itself is taking direct responsibility for preparing vehicles for sale and providing warranties for them.

The decision to go ahead with the project was taken in response to research carried out by Ford over a nearly two-year period which, the company admits, showed motorists to be "deeply cynical" about the integrity of the retail motor trade.

More than 13,000 Ford cars up to a year old and with a total showroom value of £105m have already been refurbished and sold since the *Ford Direct scheme, selling* used cars with essentially new-car warranties and with a 30-day exchange option, began earlier this year.

Until the coming on stream of the purpose-built Tilbury facility, however, the cars had been prepared at four small regional centres.

Ford claims it has been already sufficiently impressed with the success of the scheme for it to be starting a pilot project in Scotland under which cars up to three years old will be brought within the scheme.

Some £5m has been spent on the Tilbury plant, which is being operated by Silcock Express on Ford's behalf, using Ford-trained personnel.

Cars less than a year old are collected from Ford and its major fleet customers and taken to one of five Silcock regional distribution centres for shipment to Tilbury.

Price rises for next decade held down to one per cent per year above inflation

Water regulator acts to curb prices

By David Lascelles, Peggy Hollinger and James Blitz

A new price regime designed to curb recent sharp increases in Britain's household water bills was unveiled yesterday by Mr Ian Byatt, the director-general of Ofwat, the water industry regulator.

The controls, known as K factors, will hold future price increases to 1 per cent a year above inflation for the next ten years for the average householder.

The 31 water companies in England and Wales, each of which enjoys a local monopoly, will also be expected to finance more of their investments themselves through greater efficiency.

Although the new K factors were at the tougher end of industry expectations, they were generally welcomed as fair in the industry and the City.

Most water company shares gained on the day. Only one company, South West Water, said it would exercise its right to appeal to the Monopolies and Mergers Commission.

The new K factors are weighted to give companies more rapid price increases in the first five years, when investments are heaviest. Average *prices can rise* by 1.4 per cent over inflation up to 2000. After that, the average increment over inflation falls to 0.4 per cent.

But there are wide variations. Southern Water, which has heavy clean-up costs on south coast beaches, is allowed 4 per cent, falling to 3 per cent, while four companies will not be allowed any real increases at all in the last five years.

These include South West Water, which had one of the highest Ks last time and is now to be reined in.

Yesterday's review marks the first reshaping of price controls for the water industry since it was launched into the private sector in 1989.

As Mr Byatt made clear, his review was not just about defusing the row over soaring household water bills. He also had to ensure that the water companies have enough money to finance the huge clean-up required by *EU* directives, and pay adequate dividends to their shareholders.

His new K factors are supposed to strike a three-way balance between these considerations. Judging by the mixed *reaction yesterday, it* was a partial success.

Consumers were disappointed that prices will still go up, and environmentalists said there will not be enough money to clean up beaches and rivers.

The main outcome of the review – a prediction that water prices will rise by just under 1 per cent a year in real terms over the next ten years – is certainly a big improvement on recent increases which have averaged 5 per cent and caused storms of protest. But it falls short of Mr Byatt's statement last year that consumers did not see why water bills should rise faster than inflation.

The National Consumer Council, which only a fortnight ago published a scathing attack on the returns reaped by water company shareholders at consumers' expense, said: "The fact that prices will go up less than otherwise is obviously good news, but they will continue to rise faster than inflation."

However there is a limit to how far Mr Byatt can go in limiting price rises. Although he can shift more investment *costs off consumers and onto* the water companies themselves, his first statutory duty is to ensure that the water industry can finance its environmental obligations.

But this did not satisfy the political opposition parties who accused Mr Byatt of being soft on the water companies, – and on generous chairmen's salaries which have also been in the headlines.

Mr Chris Smith, Labour's spokesman on environmental protection, said the review had failed to stop water companies loading most of the costs of long-term investment onto current consumers.

"Mr Byatt has said that the water companies could borrow much more – at preferential rates – to finance essential long term improvements," he said. "But here he has completely ducked the issue."

The reaction in the water industry itself ranged from cautious to grudging, though this disguised a sense of relief that the new limits were not as tough as many had feared. The fact that only one company – South West Water, which faces especially large investment *demandfs* – will challenge its new price limits is probably the most palpable evidence that Mr Byatt has presented the industry with a price regime it can live with – and certainly an easier one than he proposed in his opening discussions last May.

"I think he struck a hard bargain with everybody, but got a little soft at the end," said Mr Mike Taylor, finance director of Northumbrian Water. "It may have tipped those who might have gone to the MMC away from doing so."

This was also the view in the City, where analysts believed that the new K factors would not seriously inhibit the industry's financial position, or its ability to pay sizeable real increases in annual dividends.

Much of the pressure of tighter controls will have to be absorbed by greater efficiency within the water industry. So the challenge now will be on management to meet its investment obligations, and still have enough to spare to keep shareholders contented. Mr Byatt thinks the industry can manage this, and analysts calculate that there is enough fat *there to keep interest* and dividend cover at healthy levels.

Even so, Mr Byatt expects that the rate of return on assets will more than halve from last year's 13 per cent to around six per cent over the ten year's covered by the new price regime.

Even though Mr Byatt expects investment costs and other factors to add £47 to the typical household bill by 2005, he expects tighter returns and operating expenditure to reduce that by £24, bringing the increase down to £23.

But though Mr Byatt stressed that "profits will be lower" he declined to go into any detail. The level of profit companies earned and the dividends they paid were a matter for company boards and management. Nor was he willing to speculate on whether K factors would help rein in chairmen's salaries. That, too, was no concern of the regulator.

Pricing at the watershed

Annual price increase limits (% above inflation)	Anglian	Northumbrian	North West	Severn Trent	Southern	South West	Thames	Welsh	Wessex	Yorkshire
1995-96	1.5	2.5	2.5	0.5	4.0	1.5	0.5	0.5	1.5	2.5
1996-97 to1999-00	1.5	2.5	2.5	0.5	4.0	1.0	0.5	0.5	1.5	2.5
2000-01 to 2004-05	1.5	2.0	0	0	3.0	0	0.5	0.5	0.5	0
Average over 10 years	1.5	2.2	1.2	0.2	3.5	0.5	0.5	0.5	1.0	1.2
Last pre-tax profits (£m)	192.2	57.0	269.0	281.0	127.5	93.0	317.0	144.2	103.3	143.5
Last annual investment (£m)	372.0	84.2	423.6	445.0	175.0	203.0	367.0	180.5	115.0	220.8
Average consumer bill now (£)	264	187	183	179	201	304	162	256	233	195

Britain in brief

Heathrow rail deal won by Siemens

A £40m contract to build rolling stock for the Heathrow Express fast rail link has been won by Siemens Transportation Systems, part of the German electrical engineering group.

Siemens will build 14 air-conditioned electric trains designed to cover the 17-mile route between London Paddington station and the airport in 16 minutes. Delivery will take place between January and June 1997 for the service to begin the following December.

Thirty-two companies originally tendered for the contract with GEC of the UK and ABB, the Swiss-Swedish group, together with Siemens, making it to the shortlist.

One-third of the components, including air-conditioning, will be made in the UK with the rest from Germany and Spain.

This represents Siemens' first order for main line rolling stock in the UK though it did supply light rail vehicles for the Sheffield supertram.

Heathrow Express expects to operate six-car trains to and from Heathrow providing 344 seats and luggage space. Air travellers will be able to check in at Paddington.

BAA, the airports operator, is a 70 per cent shareholder in the £300m Heathrow Express project, while British Rail has 30 per cent.

Unit trusts' best ever June

Unit trusts had their best ever June, with net sales of £1.1bn – 50 per cent up on £726m in May. The June figure was almost 80 per cent higher than June 1993, when net sales totalled £610m.

Just under half the net sales last month were to the retail sector – the lowest proportion so far this year – with the rest bought by institutions, according to the Association of Unit Trusts and Investment Funds.

The best-selling sectors among retail investors were UK Growth, followed by UK Equity Income and International Growth. Institutional sales were dominated by UK General, followed by UK Equity Income and UK Smaller Companies. Both types of investors were net sellers of European funds.

Top directors get 23% rises

Executive directors employed by those FT-SE top one hundred companies in the financial sector have secured total median earnings increases worth 23.1 per cent this year mainly due to substantial profit-related bonuses.

This is one of the main findings in the latest study of board earnings published today by Monks Partnership, the independent remuneration advisers.

It reflects a substantial *improvement in the fortunes* of many financial companies with the recovery of the British economy.

'Hybrid' bus trials begin

A major commercial bus operator started trials of electric "hybrid" buses which emit much less exhaust pollution then *conventional* buses - but which are also costing their operator, Transit Holdings, two-and-a-half times as much to buy.

Exeter-based Transit has paid £100,000 each for the two "*Electrobus*" 18-seat buses taking to the streets of Torquay, in the process making Iveco Ford the first manufacturer to supply such buses for regular operation in the UK.

The buses are powered primarily by a one-litre Fiat Uno car petrol engine which is completely encapsulated and pre-set to run at a quiet and fuel efficient speed. This engine, which is fitted with a *catalytic converter, drives* an electrical generator which provides current to an electric motor driving the wheels. The generator also charges storage batteries so the electric motor can be fed extra power when climbing a hill.

Export scheme to expand

The Department of Trade and Industry is considering expanding the "export promoters" initiative which recruits private sector executives into the DTI to help UK companies win business in world markets.

'No action' against Archer

Mr Michael Heseltine, the UK trade and industry secretary, yesterday concluded that his department "should take no further action against any parties concerned" as a result of the investigation into accusations of insider dealing in relation to Anglia TV.

One of those under investigation, Lord Archer, the former deputy chairman of the Conservative party, said: "I am grateful to have been exonerated and would like to thank so many friends, colleagues and well-wishers for their vigorous support following disclosure of the investigation."

Fujitsu expands at Aycliffe

The County Durham microchip plant owned by Japanese electronics group Fujitsu is on target for a further £300m plus investment, creating hundreds more jobs, according to Mr Llew Aviss, personnel director.

Jobs to go in NHS reform

Thousands of jobs including senior Civil Service posts will disappear under proposals to streamline the central management of the National *Health Service announced* yesterday.

Strict upper limits on the number of staff employed in regional administration will lead to the abolition of more than half the current posts in regional health authorities.

Job losses at Nestlé

Hundreds of redundancies among administrative staff were announced yesterday by Nestlé UK, part of Nestlé, the world's largest foods and minerals waters group.

The company declined to comment specifically but *employees affected by the job* losses claimed that up to 450 jobs were being lost - mainly at headquarters.

Nestlé said: "Details of the results of the first stage, which looked at ways of simplifying working practices at Nestlé UK's headquarters in Croydon and at parts of the York and Hadfield sites, are currently being given to employees and we are unable to comment further."

Kimberly-Clark picks UK for European HQ

By Andrew Taylor, Construction Correspondent

Kimberly-Clark, the large US consumer products group, is to locate its new European headquarters in the UK after investigating sites in Holland, France and Belgium.

The company, which manufactures Huggies disposable nappies, Kleenex tissues and and Kotex feminine products is to consolidate its existing European offices in Paris, The Hague and Tonbridge, Kent in a new, single complex.

One of the attractions of the UK is thought to have been its labour costs which are estimated to have been a third *of those at other* continental locations considered by the group.

Kimberly-Clark has appointed UK property consultants Grimley J R Eve to find premises, capable of accommodating more than 500 staff, to the south and west of London in an arc between the M23 and A3 motorways.

The company will consider building a headquarters on a greenfield site if a suitable *existing building cannot be* found.

It said the UK was a more attractive location for foreign executives working for Kimberly Clark in Britain because of availability of international schools and access to international airports at Gatwick and Heathrow.

Worldwide sales of the company last year was just below $7bn, (£4.5bn) producing pre-tax profits of $800m. It has eight factories in the UK, two in France, two in Germany and one in Holland. European sales last year were $900m.

Kimberly Clark said yesterday: "The company has made a considerable investment in its European business in the last few years, including new research and manufacturing facilities and the acquisition of a number of prestigious consumer brands.

"To continue our expansion we need to centralise our European management operations. The ideal site must be able to accommodate our growth plans and be in a location that offers easy access to major air routes and international schooling."

Tax system 'best for healthcare'

Alan Pike on a report which finds that the US or German insurance system is a tax on employment

Britain's tax-based system of financing health-*care places less burden* on the economy and industry than alternative funding arrangements, a study of health and the economy concludes today.

In contrast to insurance *based schemes found in* countries such as the US, Germany, or France, says the report, funding from general taxation did not represent a tax on employment. This was a particularly important consideration *given the government's* concern to improve industrial competitiveness.

The study, by the Institute for Health Policy Studies at Southampton University, was commissioned by the National Association of Health Authorities and Trusts. It was designed to test a claim by Mrs Virginia Bottomley, health secretary, that the tax-based method of funding the National Health Service imposed a lower burden on industry than other systems.

The NHS consumes about 6 per cent of gdp – a low proportion compared with other countries. Britain's health spending is joint 19th among the 24 OECD nations with only Spain, Portugal, Greece and Turkey devoting a lower proportion of gdp to healthcare. But says the report, indicators like life expectancy and infant mortality showed that Britain's performance was "not markedly worse" than most higher spending countries.

In this sense, says the report, international data supported the view that the NHS – 83 per cent of which is financed through general taxation and a further 13 per cent from national insurance contributions – provided good value for money. Britain's centrally financed, cash limited NHS had been more successful than any other system in containing growth in spending on health.

The main disadvantage of a tax based system was the limited choice it offered people. Users of the NHS often faced hidden costs resulting from long waiting times and treatment in poor quality buildings that were not reflected in expenditure figures.

Health, says the report, impacted on the economy in *many wider ways than the cost* of providing healthcare. Some of the report's main concerns about healthcare in Britain relate to such wider links.

The total cost of work related illnesses and accidents, it says , was estimated to be between £11bn and £16bn a year – the equivalent of 2-3 per cent of gdp. It was widely accepted that unemployment had an adverse effect on health, while "those on lower incomes are much more likely to report poorer health than those on high incomes." A man in professional social class 1 could expect to live more than five years longer than one of unskilled class 5.

The report concludes that, although the NHS had an important role to play in targeting poor and disadvantaged groups "all the evidence suggests that these efforts must be accompanied by broader socio-economic policies if any real impact is to be made."

MANAGEMENT

BOOK REVIEW

Innovation along simple lines

By Christopher Lorenz

There are two ways in which a company can create more value for its shareholders, apart from the defeatist route of selling out. In the short term, it can put itself on a slimming course by removing management layers, "downsizing" its organisation and reconfiguring from scratch – or "re-engineering" – the main processes by which it operates.

But unless it wants to die of eventual corporate anorexia, it must also do some bodybuilding. That means growing its existing businesses, acquiring new ones or creating them from within.

After five years or more of painful slimming and 25 years of trouble with growth-by-acquisition, it is not surprising that many companies are turning their attention to internal business development. For the first time in a decade, a renewed wave of interest in creativity and innovation is in the making.

'For the first time in a decade, a renewed wave of interest in creativity and innovation is in the making'

So a book which sets out to demonstrate "how leadership and drive create commercial innovations that sweep the world" is both timely and welcome, especially when it does so through a collection of 14 case studies of a warts-and-all nature. Creativity and innovation are untidy processes, yet they are usually presented as sanitised hero stories from which all the actual messiness has been removed.

*Breakthroughs!**, written by P. Ranganath Nayak and John M. Ketteringham from Arthur D. Little, the US technology-based consultancy, makes a virtue of that untidiness. As the authors say, its stories reveal "the creativity and cursedness, the politics and persistence, the determination and the dumb luck" involved in such radical innovations as JVC's video cassette recorder, Sony's Walkman, Raytheon's microwave oven, Nike shoes, Nautilus fitness machines, Club Med holiday centres, and Philips/Sony compact discs.

The last two examples have been added, along with some useful general analysis, since the book was first published in 1986, when the ground was less fertile for its message.

Unlike 3M's peel-off Post-it notes, Fred Smith's Federal Express courier empire, and Toyota's "supermarket for cars" (its famous just-in-time production system), not all the stories in the book have happy endings.

EMI was unable, through a string of bad luck and strategic misjudgments, to turn its body scanner into a thriving worldwide business; its larger rivals did so instead.

Raytheon's pioneering "black magic" microwave oven development in the 1950s was overtaken by more innovative and market-ing-aware Japanese companies (although the US group had the sense to buy into one of them).

But, happy or otherwise, the 14 case studies share several common threads, according to Arthur D. Little. Some are obvious, such as the importance of teamwork. The initial spark for a new concept is usually created by a technical or commercial inventor using what Arthur Koestler called "bisociative thinking" (reassembling known elements in new patterns). But he or she is only the first link in the organisational chain.

Some of Arthur D. Little's other conclusions are more controversial:

- That many breakthrough innovations – as many as half – come from large companies rather than small ones.
- That successful breakthroughs are often technology-pushed, not market-led. This is a deeply unfashionable view, albeit natural for a high-tech consultancy.
- That commercial breakthroughs do not require a special company climate – though it helps. This conclusion is both inconsistent with some of the book's data and perverse: Arthur D. Little may be right that breakthroughs "can emerge from any environment", hostile or friendly. The question is which type of organisation produces more of them.

The book is also at fault in its dogmatic and misleading distinction between breakthroughs and innovation. Breakthroughs are indeed "conceptual shifts that make history", but innovation is not necessarily just "the art of doing the same thing, better". In conventional terminology, that is "incremental" innovation, while Arthur D. Little's breakthroughs constitute "radical" innovation.

At a time when the stakes involved in different types of innovation are at last beginning to be understood by governments and institutional investors, the book takes an unhelpfully narrow view of it.

**Published by Mercury Business Books, £12.95.*

Camera Press

Otto Lambsdorff: 'If you look at what the big banks control . . . it can lead to dangerous developments and abuse of power'

Insider on the outside

Otto Lambsdorff explains his zeal for reform of German boardrooms to Michael Lindemann and David Waller

Otto Lambsdorff has every reason to feel dejected. For 20 years he has campaigned to shake up the boardrooms of leading German companies and to disentangle the complicated web of cross-shareholdings that dominate and – critics argue – deaden the German economy.

On the face of it, Lambsdorff, economics spokesman for the Free Democratic Party and chairman of DSW, Germany's largest small shareholder association, has had little success. Large-scale cross-shareholdings remain the norm in German industry, preventing hostile takeovers and stunting the growth of the stock market which is playing an increasingly important role in other leading economies worldwide.

The 67-year-old, who was economics minister from 1974 to 1984, remains undaunted. His campaigning has earned him a reputation as one of the most eloquent speakers on the workings of the German economy and he is convinced that he is making inroads. He points out, for instance, that a new law will oblige banks and companies to declare any shareholdings above 5 per cent that they hold in other companies.

But Lambsdorff wants to go further. Cross-ownership of the sort that exists in Germany is forbidden in many countries and, while achieving a similar ban may be impossible, more must be done to reduce the web.

"If you look at what the big German banks, taken together, control – the shareholdings themselves, the supervisory board seats, the proxy voting rights – then it amounts to a concentration of economic power and influence which is largely beyond the reach of any outside control and which can lead to dangerous developments and abuse of power," Lambsdorff says.

His favourite bugbear is Westdeutsche Landesbank, the state-owned Düsseldorf-based bank, which Lambsdorff says calls the tune in the state of North Rhine-Westphalia.

He singles it out as a particularly offensive example of a state-owned institution where there is an all too cosy relationship between the state's Social Democratic government, the Federation of German Unions and local industry. "They buy shareholdings in industry the way other people collect pictures or stamps," he says.

The recent near collapse of Metallgesellschaft, the metals, mining and industrial group, is a good example of how the banks, with their large stakes in the company and their positions on the group's supervisory board, were unable to prevent a debacle, he says.

The Frankfurt-based group lost DM1.9bn (£780m) to end-September 1993 and warned it will lose a similar amount for the 1994 financial year, the losses triggered by speculative trading in the US oil futures markets, and is currently in the throes of a drastic restructuring which involves cutting the workforce to one-third of the 60,000 people employed 18 months ago. The reorganised group will have turnover of DM14bn, little more than half last year's levels.

Lambsdorff is dismissive of the big German banks' claims that they have provided a heroic service to the German economy by rescuing Metallgesellschaft (they were the biggest contributors to the DM3.4bn rescue package agreed in January).

"The mistake was not in the way that the group was rescued – but rather that one allowed the situation to arise. First you drive the car against the wall and then you hope to rescue your reputation by going to a good garage."

Other recent cases, including the Jurgen Schneider bankruptcy and alleged fraud at Balsam, a German sports-floorings manufacturer, and Procedo, the biggest factoring company in Germany and biggest creditor to Balsam, reflect bad management at the banks, Lambsdorff says. "A series of large bankruptcies like this damages the reputation of the German banks on the international capital markets," he warns.

The second Finanzmarktförderungsgesetz, or financial markets promotion law, which is set to come into force next week, may do something to redress the imbalance by making the corporate landscape more transparent, Lambsdorff argues. For example, companies will be forced to declare any shareholdings in other companies once they exceed 5 per cent, an improvement on the previous 25 per cent threshold.

Supervisory boards – the non-executive bodies made up of shareholders and workers' representatives – also need reform if they are to play a useful role, he says. In 1965 a law limited the number of supervisory boards an individual could sit on. Now, Lambsdorff argues, it is necessary to limit the size of the supervisory boards.

Some of Germany's largest company boards – such as Volkswagen, where Lambsdorff is a supervisory board member – have 20 members, making them unwieldy. Critics allege that membership is often based less on professional competence than on political favouritism, while the annual fees paid to supervisory board members (average DM8,000) are too low to provide incentive for full involvement.

Supervisory board members need more direct contact with company accountants and the accountants should have extensive powers to sit in at important company meetings, he argues. Current arrangements mean that contact between the two parties is channelled through the company management – the people the supervisory board is there to oversee.

Some argue that Lambsdorff may not be an ideal campaigner for the reform of supervisory boards. He sits on eight belonging to larger, listed companies and on a host of other smaller ones. He replies: "I'm an insider critic. "That makes me even more difficult for them."

TECHNOLOGY

Worth Watching · Vanessa Houlder

Putting the brakes on skidding

A system to help prevent cars from skidding has been developed by Bosch, the German electronic and vehicle parts manufacturer.

Its Vehicle Dynamics Control system depends on sensors which measure the rate at which the car is turning its vertical axis, together with the car's lateral acceleration, steering angle, wheel speeds and braking pressure.

These sensors feed information to an electronic control unit which is able to compare the requested steering angle with the actual course of the vehicle. The system then corrects any error in the car's course by braking the appropriate wheel.

The system is designed to be used in conjunction with anti-lock braking systems, which intervene when a wheel is about to lock during braking and traction control, which prevents the wheels from slipping during acceleration.

Bosch: UK, 0895 834466.

Breast cancer under the needle

Women with suspected breast cancer usually undergo surgical biopsies, which can leave scarring. A technique based on technology developed for Nasa's Hubble space telescope allows the biopsy to be performed with a needle rather than a scapel, leaving a small puncture wound rather than a scar.

The technique allows the abnormality to be located by an X-ray imaging device which takes digital images of the suspected mass from two different angles. A computer calculates the co-ordinates of the abnormality, after which the sample is extracted with a needle.

X-rays have been used before to locate suspected abnormalities. However, the time needed to take the pictures, develop the film and locate the co-ordinates of the abnormal tissue method takes about 15-20 minutes. The digital imaging device is quicker, gives a higher-quality image and exposes patients to half the radiation of the conventional X-ray method.

Nasa: US, 202 358 0000.

In search of the hot spots

Detecting sources of heat is an important aspect of fire fighting and prevention. Product Innovation has designed a hand-held device which emits visual and audible signals to detect heat sources as a relatively low-cost addition to the available equipment.

The Hotspotter sensor detects infra-red waves, which are converted into sounds and lights by a microprocessor. The intensity of the heat is indicated by the frequency of the sound and the colour of the light.

The uses of the Hotspotter include locating the source of a fire through dense smoke and spotting a potential fire risk. The device costs £120.

Product Innovation Holdings: 0920 444277.

Matchmaking trap for woodworms

Buying a house can be a risky business and many purchasers err on the side of caution and spray for woodworm whether or not an infestation exists, writes Daniel Green. But from next year, it should be easier to discover if there is a true problem.

A UK company, Oxford Asymmetry, has developed a way to mass-produce woodworm pheromones, the sex hormone that brings male and female woodworms together.

Scientists at Oxford University divided the structure of the hormone and Oxford Asymmetry built a synthetic chemical "scaffold" around which identical molecules would form in its laboratories.

The company has now signed an agreement with Cardiff-based Agrisense which will market a woodworm trap: the idea is that new homeowners first test for the presence of woodworm before committing themselves to the dirt and expense of pest control.

Oxford Asymmetry, 57 Milton Park, Abingdon, Oxfordshire OX14 4RX. 0235 861561.

Drugs researchers are seeking a stroke treatment that could transform current therapy, writes **Daniel Green**

Brains on their minds

Ask almost any doctor what drug treatments there are for strokes and they will probably say "none". The reason lies in the nature of the condition. A stroke occurs when the brain is damaged due to poor blood circulation. It can happen quickly, even without warning. The brain is damaged within minutes or hours, and all a doctor can do is try to help the patient recover.

Stroke victims lose brain functions such as memory, speech or limb co-ordination. As well as their distress and that of their families, the cost to society is vast. About 500,000 people a year suffer from strokes in the US. Only about a third of victims recover sufficient independence to return to previous levels of activity. The rest require years of rehabilitation and nursing. Some are permanently hospitalised.

The prospect of earning an enviable reputation and a great deal of money has attracted many pharmaceutical and biotechnology companies to the area. Success would transform stroke therapy. Today's preventative therapies would be supplemented for the first time with patient treatment.

But the condition is complicated. About 85 per cent of strokes are caused by blockages in blood vessels and are called ischaemic strokes. Without oxygen carried by blood, cells die.

The remaining 15 per cent of strokes are caused by leakages of blood into the brain – cerebral haemorrhages. The brain is squashed by the extra volume of blood and cells die.

Doctors try to identify people who are at a high risk of either kind of stroke and give appropriate preventative drugs. People with a history of artery disease, for example, may be given mild blood-thinning agents such as aspirin to ward off clots. People with high blood pressure have an increased chance of a haemorrhage and can be treated with drugs for high blood pressure.

After an ischaemic stroke, victims may be given stronger clot-busting drugs such as streptokinase to try to clear the blockage quickly. In cerebral haemorrhages, blood thinners and clot busters are precisely what must not be administered as they would increase the blood flow to the brain. After the stroke, only risky brain surgery can help.

Modern research on drugs that might effectively treat stroke victims begins by analysing the biochemistry of the condition: what chemical events take place between blood flow disruption and cell death?

Unfortunately, biochemists cannot yet provide a complete answer. What is understood so far is that when blood is cut off from brain cells, chemicals called excitatory amino acids are released.

These bind to receptors on brain cells and open channels into the cell. Through the open channels flow large amounts of calcium and sodium which can kill the cell simply by bursting it. The calcium and sodium are also involved in reactions inside the cell which release poisons such as nitric oxide, highly reactive substances called free radicals and even protein-eating enzymes that can digest the cell from the inside.

As if that were not enough, the inflow of calcium is a trigger for the release of more excitatory amino acids and the whole lethal sequence spreads out from the original core of damage.

"There is almost an active progression of damage going on for minutes, even hours, after the stroke," says John Reid of Glasgow University's department of medicine and therapeutics. Within a few hours, the dead core is surrounded by a larger area of dying cells, he says.

So a candidate drug treatment is one that blocks either the release or the action of the excitatory amino acids. The principle is to freeze the process that leads to the death of the cells until normal blood circulation is restored through the action of clot-busting drugs.

But the lack of complete biochemical understanding means the practice is more difficult. There is more than one excitatory amino acid, several ways of obstructing each and yet further ways of dealing with their effects. On top of that, interfering with the functioning of brain cells can cause unpleasant side effects such as hallucination.

The first drug likely to reach the market is expected to be launched in the next few months. Called Freedox, it was developed by Upjohn of the US. It tackles some of the last stages in the sequence of cell death – for example, by inhibiting the free radicals.

Initially it will be licensed for use in haemorrhages only. Further clinical trials are under way in patients with ischaemia and with victims of head and spine injuries that can trigger a similar sequence leading to cell death.

At the other end of the biochemical sequence, Wellcome, the UK company, is researching a drug called 619C89 which is designed to prevent the release of the most important of the excitatory amino acids, glutamate. The drug is about to enter further clinical trials and is unlikely to be on the market before the end of the decade.

Ciba, the Swiss drugs company, is a little further advanced with its Selfotel drug, which blocks the action of glutamate rather than its production.

Selfotel is entering the last and biggest series of trials that must be undertaken for any drug is approved. If all goes well, a product could be on the market in three or four years, says Beatrix Maurice-Schubiger, head of Ciba's central nervous system product management.

Unfortunately, Selfotel has side-effects including hallucination, paranoia and confusion. In May, Ciba signed a collaborative deal with California biotechnology company Cocensys to research a second stroke drug. Acea 1021 works by a quite different mechanism, blocking another of the receptors for excitatory amino acids. Maurice-Schubiger says that Acea 1021 is "about two years behind Selfotel" in the development process.

Improving on Selfotel is also a target for Massachusetts biotechnology company Cambridge NeuroScience. It has a drug called Cerestat which blocks a different receptor for excitatory amino acids. Elkan Gamzu, the company's president, claims that Cerestat is as good as Selfotel but avoids the side-effects.

But Cerestat has only just completed initial trials, so even if all goes well a product is unlikely to reach the market until the next decade.

Other companies researching the area include the UK's Wellcome and Fisons, Switzerland's Sandoz, France's Synthelabo and US biotechnology companies Alkermes, Guilford, Gensia, Pharmos and Cephalon.

In spite of the large amount of research activity, some scientists fear that no one solution will work well. There are at least 22 separate steps in the biochemistry of cell death and it is not known which, if any, could stall the whole process.

Drug developers have recently witnessed an unpleasant precedent in the treatment of septic shock. Both stroke and septic shock involve complicated cascades of biochemical events. In septic shock, each of the drugs developed seemed to be effective in blocking part of the cascade, but each so far has failed to prevent the disease progressing.

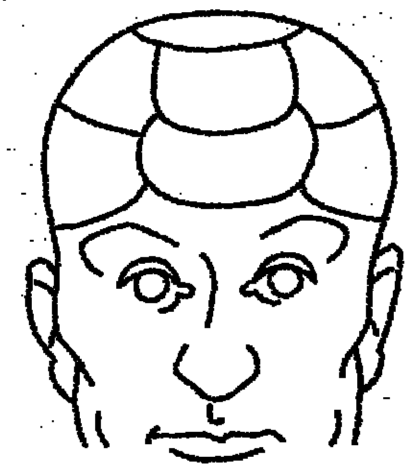
Behind the optimistic words, the industry is aware of this potential problem. Merck of the US, the world's biggest drug company, abandoned work on its candidate stroke drug MK 801. Executives at Upjohn concede that they do not know exactly how Freedox works. Gamzu admits that Cerestat acts on only one of several receptors involved in stroke.

Ralph White, central nervous system project manager at Wellcome, sums up the view of many when he says: "We won't know if a drug really works until we've finished the last clinical trial."

Stroke treatments in research

Company	Country	Drug	Launch date
Upjohn	US	Freedox	1994-
Ciba	Switzerland	Selfotel	1997-
Alkermes	US	Calpain inhibitor	?
Cambridge NeuroScience	US	Cerestat	2000?
Cephalon	US	Calpain inhibitor	?
Cocensys	US	Acea 1021	?
Fisons	UK	Remacemide	?
Gensia	US	Adenosine regulator	?
Guilford	US	PARS inhibitor	?
Wellcome	UK	619C89	2000?
Sandoz	Switzerland	SDZ EEA 494	?
Synthelabo	France	Eliprodil	2000?

This list is not comprehensive



■ Articles over the last six months have looked at pharmaceutical advances in the following areas:

Painkillers .... 30 June
Blood products .... 27 May
Multiple sclerosis .... 29 April
Sepsis .... 31 March
Prostate .... 25 February
Wound healing .... 21 January

PROPERTY

Double act

Andrew Russell on a bid to tap private funds for public projects

"By private finance, we don't mean paying an inflated price for blue-chip guaranteed loans. We mean putting the private sector in the driving seat, bearing and managing the large risks which capital projects entail. Too much of government has traditionally been the patsy customer in public projects."

Kenneth Clarke, UK chancellor, speaking of the Private Finance Initiative, a government scheme to attract private investment to public sector projects, launched in 1992.

Mr Clarke's words were fine. But the Private Finance Initiative has failed to enthuse the private sector. As a result, the Department of Environment and the Royal Institution of Chartered Surveyors have appointed Chesterton Consulting, surveyors, to assess how PFI could be revived, especially to aid small projects valued at £5m-£60m.

More than half the 78 projects listed in 1992 as examples of potential PFI ventures remain on the drawing board. Many of the rest pre-dated the PFI launch in any case. One flagship project, CrossRail – a £2bn line linking east and west London – was struck a blow in May when MPs blocked a private bill authorising construction. Although the government has revived the venture through a complex parliamentary procedure, it says the project will take at least 10 years to complete.

However, the critics' main contention – that PFI has failed to provoke interest, such as on CrossRail – may be misplaced.

One reason is that, as in any big civil engineering venture, the lead-time for projects can typically be two years or more. Many of the original projects associated with PFI, such as CrossRail and Heathrow Express, are large, with a long gestation period which critics have misinterpreted as evidence of lack of activity.

In addition, in spite of the government's more enlightened vision about the role of the private sector, public resources remain as tightly controlled as previously (especially when placed alongside private-sector resources in a joint venture).

The government can borrow money more cheaply than the private sector and therefore in absolute terms it is rarely possible to prove that a partnership with the private sector provides better value.

PFI modifies this strict "value for money" test in subtle ways. The extra cost of private money is now seen by government as being justified where its use brings associated advantages, such as the transfer of risk away from the public sector and access to better management.

It is possible, though, to conceive of other benefits from the use of private finance, ranging from the fact that without it, a project could not proceed, to intangible spin-offs such as an improved environment.

The most obvious area of application for PFI principles is in the provision of transport infrastructure. However, few groups are capable of financing such schemes, and many observers believe that the real challenge for public and private sectors is to make PFI work with "smaller" projects, valued at between £5m (for a school) and £60m (a prison).

One reason for caution may be that the DoE – one of the UK's biggest sponsors of construction – is uncertain whether PFI changes anything at all.

The ground-rules implicit in Mr Clarke's quotation is that government contribution to any partnership must have a ceiling. Once that concept is introduced, the public investment assumes the nature of a grant. Many a recent public-sector grant could easily have been re-sprayed in PFI colours.

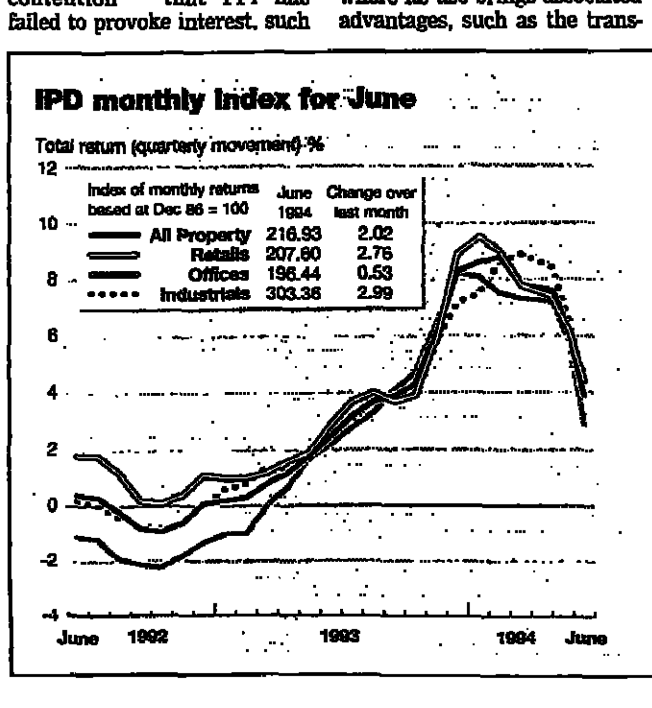
However, DoE-sponsored projects differ in one important respect from those backed by other departments. A high proportion involve helping private-sector investments get off the ground, creating jobs and other benefits. In contrast, projects sponsored by other departments involve facilities for which the government is the only customer, such as prisons, higher education etc. It is in this area of public services that PFI is likely to enjoy most success.

Where PFI is likely to meet with least success is in encouraging the private sector to come up with its own ideas. In spite of the government's expressed willingness to negotiate with a single private-sector promoter, PFI is caught in public procurement rules and, in particular, by EC requirements that contracts should be tendered. Private companies have better things to do than invest their time and money in new ideas if they then have to compete for the privilege of carrying them out.

The government seems to be heading once again for the role of patsy customer. Although the private sector assumes risk, the perception remains that as the government guarantees the income-stream, it is therefore gilt-edged. On the other hand, the mechanism undoubtedly gives rise to a greater range of investments than could ever be financed through taxation.

The author is national director of Chesterton Consulting

IPD monthly index for June



Total returns from commercial property investments continued to slide in June as investors remained nervous about the direction of interest rates and the lack of any serious recovery in rents, according to Independent Property Databank, a research group.

The IPD index of monthly total returns fell in June to 0.9 per cent, the lowest level for 12 months and the third consecutive monthly fall.

Retail provided the only encouraging news with total returns rising to 1.4 per cent from 1.2 per cent in May. Total returns from offices fell from 1 per cent to 0.3 per cent and industrial property returns fell from 1.4 per cent to 1 per cent.

The declines reflect the concerns of a jittery market with funds unlikely to increase investment until rents start to catch up with previous sharp rises in capital values of buildings.

The increase in total returns from retail investments was prompted by a 0.2 per cent rise in shop rents last month, the first increase recorded by IPD since December 1991.

Rents for office and industrial properties continued to fall but at a much slower rate, indicating that rental decline may be coming to an end. Overall rents failed to move last month.

Capital values are continuing to stagnate; for offices they declined by 0.4 per cent in June, the first monthly fall since May last year.

PEOPLE

Wilkinson is to be new managing director at Laird Group

Geoffrey Wilkinson, 48, has been appointed managing director of the Laird group, the vehicle components manufacturer, with effect from October, after having joined the company in June 1993 as finance director.

His replacement as finance director will be Jonathan Silver, 36, currently corporate development manager.

The moves follow on the announcement in April that the current chairman and chief executive, John Gardiner, would become chairman solely, and that the current managing director, Ian Arnott, 51, would be stepping into the role of chief executive.

Gardiner will retire from the chief executive role on October 1, when the other changes take effect.

Laird is by no means an unfamiliar company to Wilkinson – he first became acquainted with the group when he worked for the Industrial Re-organisation Corporation more than 20 years ago.

Wilkinson has been (successively) a former chief economist, financial controller, and ultimately head of corporate mergers, investments and divestments at British Steel.

He left British Steel in 1987 and spent several years with US investment bank Dillon Read. In October 1991 he and David Prior established a partnership, for a time working for Garry Klesch, who put up the equity for a series of steel service sector buy-ins.

Silver, a chartered accountant, first worked for Thornton Baker before joining Fisons, then moving on to Laird in 1986 as group management accountant.

More than 80 per cent of Laird's profits derive from overseas markets. Its last annual results showed pre-tax profits of £38.2m.

■ Wendy Leighton becomes deputy chief executive at Stirling group, the clothing manufacturers, where for the past four years she has been director in charge of marketing and design, primarily responsible for developing the company's relationship with Marks and Spencer.

She began her career at Marks and Spencer, as a trainee.

ELECTRONIC SWITCHES

■ Paul Gibson has been promoted to sales director of OKI SYSTEMS (UK).

■ George Bates has been appointed to the board of CML MICROSYSTEMS.

■ Steve McCall, former UK md of Tulip, has been appointed sales director, and Jamie Minotto, former UK md of Tandon, marketing director, at ELONEX.

■ Marwan Rifka, above, formerly md of EDS's UK public sector division, has been appointed European chief executive and corporate vice-president of ANTARES ALLIANCE GROUP, the joint venture between Amdahl and EDS.

■ Kelvin Harrison has been promoted to md of VEGA GROUP; Angus Johnson, formerly technical director, becomes non-executive.

■ Mike Powell, formerly director of consultancy at Oracle, has been appointed director of DIGITAL Consulting for UK and Ireland.

■ Kevin Lynch has been promoted to md of McKEOWN SOFTWARE Group.

■ Terence Cooke has been appointed md of TULIP COMPUTERS UK.

■ David Jones has been promoted to director of sales for ITT CANNON in the UK.

■ Neal Turner, formerly sales director of Macro Group, has been appointed sales and marketing director of FARNELL ELECTRONIC COMPONENTS.

■ Nigel Croisdale has been promoted to vice-president of ICL Client-Server Systems Trading.

■ Mark Riley, formerly director of products and services at Cellnet, has been appointed group sales director, Europe, at TELSIS.

■ Stuart Horwood has been appointed general manager, retail and distribution, at BT.

■ Brian Cunningham, formerly brand image director for IBM's general business in Europe, is appointed head of IBM's UK AS/400 business.

■ Michael Gordon, md of Link Training, is appointed to the CRT Group board.

■ Ian Taylor, former md of Datasolve, becomes UK chairman of CMG; acting UK chairman Chris Banks reverts to group finance director.

■ John Backhouse has been promoted to md of AMPHENOL Corp's UK subsidiary.

NORTHERN FOODS, the dairy and food manufacturing company, has appointed four directors to its board, two executives and two non-executives.

Neil Davidson, 43, is to be executive director responsible for all the group's dairy operations, having been with the company since 1977. His brief covers milk procurement, processing and distribution through Northern Daires, Eden Vale Food Ingredients and Dale Farm Dairies. Jo Stewart, 44, is created executive director responsible for all the group's prepared food operations, covering convenience foods, meat products and groceries. He has been with the company since 1988.

The two non-executives are Helen Alexander, 37, currently managing director of the Economist Intelligence Unit; she has been with the Economist group since 1985. The other is Michael Metcalf, 42, who since 1991 has been chief executive of Thorn group, the rental business of Thorn EMI.

Another appointment is that of David Baines, 53, who has been made managing director of Eden Vale, acquired by Northern Foods two years ago.

Baines joins the group after having been managing director of Sara Lee Bakery (UK) for the past eight years.

His background includes 17 years marketing and managerial experience with RHM and Cadbury. He replaces Jo Stewart, acting managing director at Eden Vale since March this year.

Fragrant changes at Body Shop

Anita Roddick, one of the founders of The Body Shop, which has proved such a success producing and marketing wittily-titled personal care products, has decided it is time she changed her own title.

Yesterday the company said that in future she would hold the post of chief executive and relinquish that of group managing director. Her husband, Gordon, remains chairman.

A range of other bodies are also swapping seats at the company, including three newly created executive directors, making a total of nine on the main board.

Jane Reid, head of the legal department since October 1989, is made a director, in charge of legal matters. Jeremy Kett, chief financial officer, who joined in March 1990, becomes director responsible for finance. Terry Hartin becomes director in charge of operations and distribution.

Stepping into the managing director's shoes is Stuart Rose, formerly director responsible for corporate development.

Two other directors assume different responsibilities in the shuffle. Michael Ross, once in charge of international retail, is now looking after strategic retail projects, while Jilly Forster moves from looking after communications to strategic marketing. The company says it is looking to recruit a new person in charge of communications.

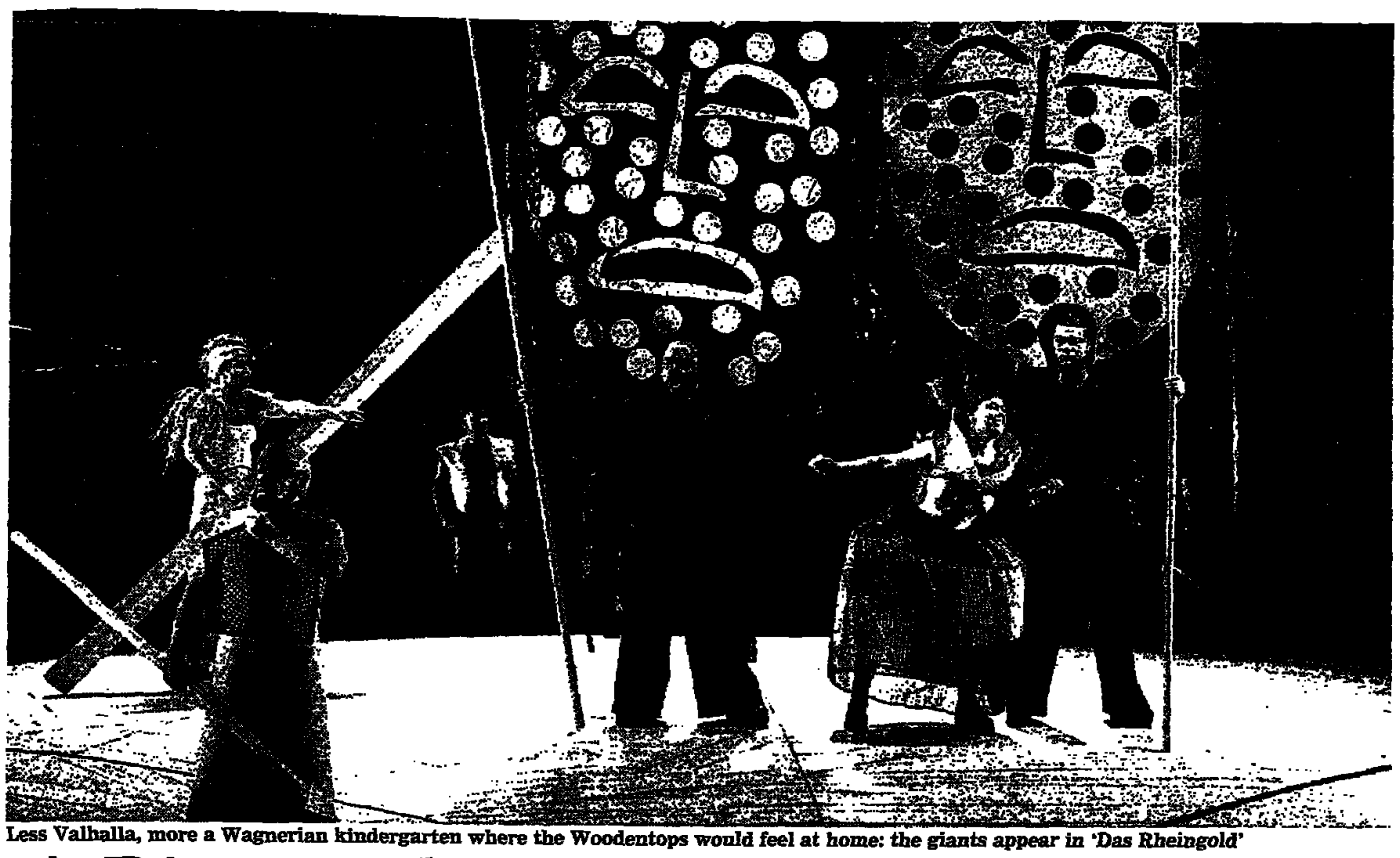
The change in Anita Roddick's title is "a reflection of the business getting bigger," says a spokesman. "She spends a lot of her time travelling and this will relieve her of the day-to-day running of the business, in order to concentrate more on its direction and style."

■ Charles Bryant, 45, has been appointed to the new post at NATIONAL WESTMINSTER of director of UK trade services for the bank's UK branch business sector.

His responsibilities extend to drawing together the operations, sales and marketing units of the sector's international trade and banking services division.

A former managing director of Midland Montagu, Bryant, will be joining NatWest in September.

ARTS



Less Valhalla, more a Wagnerian kindergarten where the Woodentops would feel at home: the giants appear in 'Das Rheingold'

A Ring with colour-coded leitmotifs

Andrew Clark reports from Bayreuth on Alfred Kirchner's new production

Half a cheer for the new *Ring* at Bayreuth. It is abstract, colourful and apolitical – a bigger contrast with its predecessor, the 1988 Kupfer production, is hard to imagine. The stage direction is minimal, the costumes are a riot. James Levine has inspired the festival orchestra to play with a tonal ripeness and clarity unsurpassed in a generation, but his tempi – although marvellously consistent – have been rather stately. These are early days. *Das Rheingold* and *Die Walküre* have just been unveiled in conditions of sweltering heat, but with no apparent hiccups. *Siegfried* follows this afternoon and *Götterdämmerung* on Sunday.

The producer, Alfred Kirchner, and his designer, known only as Rosalie, came with a reputation for radical ideas, but their approach has been surprisingly anodyne. Kirchner, an experienced theatre director in Berlin and Vienna, made his breakthrough in opera more than a decade ago during the Gielen years at Frankfurt. In interviews before the first night, he rejected the idea of tying Wagner's tetralogy to a particular time or philosophy. His aim, he said, was simply to find new mythical pictures for a many-sided epic; to use the colours and materials of nature without implying naturalism; and by unfolding the story without ideological baggage, to let the audience draw its own conclusions. Admirable thoughts – and doubtless the reason why Kirchner and Rosalie have been let off so lightly at their curtain calls.

With decor reduced to a convex circular platform (the top of the globe), augmented by a variety of geometrically arranged lights and panels, the production focuses directly on words and music – providing you are not distracted by the costumes. And there's the rub. A random collage of styles and associations, they pretend to illustrate or comment on each character's function in the drama, through colour-coding and other symbols. Freia skitters about in a green-and-gold hooped outfit, apparently denoting youth and fruitfulness. Fricka follows her straw dress in *Rheingold* with a bizarre Cleopatra gown for *Walküre* – domesticity and regality. Sieglinde has an iron collar, a symbol of bondage which she discards after doping Hunding. Alberich sports shorts and a reptilian back-pack, like a friendly little porcupine.

Others are harder to fathom. The Valkyries, for example, are lumbered with outsize red-and-black pannier dresses. With rare exceptions – notably the inhabitants of Nibelheim, a mass of wriggling worm-like robots – the costumes are a phoney fashion-designer's caprice, reducing Wagner's characters to figures of fun.

Take away the costumes, however, and you have no production. It must be a long time since Bayreuth saw such poverty of theatrical imagination, such an abdication of the stage director's role. Apart from a splendid whirl of light-cylinders in the Ride of the Valkyries, Kirchner simply dumps his cast centre-stage and, give or take a bit of posturing, leaves them to get on with it. Even accounting for the difficulties of staging all four parts of *The Ring* in one go, the dialogue is unbelievably limp, especially in the crucial encounters of *Die Walküre*. The worst instance is the start of Act 2: stranded on separate levels, Wotan and Brunnhilde barely begin to address each other; the father-daughter relationship, with all its affectionate playfulness, has to be taken as read. Of greed, lust and ambition, of sex and violence, deceit and betrayal, this production offers barely a trace. We are in a Wagnerian kindergarten, a world in which the Woodentops would feel at home.

Just what Levine thinks of all this is the subject of much speculation. Judging by the way he embraced Kirchner at their *Walküre* curtain call, he would have us believe he endorses the approach. But given Levine's conservative reputation, there must have been huge compromises. The stage curtain, for example, remains closed throughout the prelude to each act – unheard of in Germany today – and comes down again before the final orchestral flourish, making for a strange anticlimax to the *Walküre* love scene.

Levine's experience of conducting *The Ring* in New York pays notable dividends. He brings out the natural character of the score, flawlessly unfolding the structure and paragraphing, with the manifold cross-currents and counterpoints coherently integrated. *Das Rheingold* was a revelation – so much detail to enjoy, and the orchestra playing like angels. With Levine in charge, the singers can do nothing but sing lyrically, enough to turn even minor episodes like Froh's "Wie liebliche Luft" into a hymn of joy. The corollary, of course, is that the music lacks theatrical intensity – particularly in *Die Walküre*. It is a symphonic reading, without the dramatic extremes which made the Barenboim-Kupfer production so thrilling.

The biggest loser in the new *Ring* is John Tomlinson's Wotan. He is neutered by a blue rubber skirt, and his Norman helmet shuts out facial expression. There is little scope for him to show dignity or ruthlessness, and the character fails to develop between *Rheingold* and *Walküre*. Even his handling of the text has been smoothed over. With such a superficial dramatic framework, the spotlight falls on his voice, which he hoists up heroically but with some strain. He was unfairly booed.

Several others are inherited from previous casts – among them Siegfried Jerusalem's harmless Loge, Manfred Jung's squawky Mime, Ekkehard Wlaschiha's rich-toned Alberich and Hans Sotin's anonymous Hunding. Deborah Polaski returns as Brunnhilde, her top as constricted as ever. Poul Elming's Siegmund was in splendid voice, partnered now by his Danish compatriot Tina Kiberg – who lends the production a welcome ray of femininity, even if she lacks a Wagnerian voice. And there are two outstanding contributions: Hanna Schwarz's majestic, mettlesome Fricka and René Pape's Fasolt, the only singer to rise above his surroundings and provide the humanity sadly lacking in this production so far.

Theatre/David Murray

The Lady from the Sea

At the Lyric Hammersmith we have one of the least manageable later Ibsen plays, *The Lady from the Sea*. Brave and interesting, this co-production with West Yorkshire Playhouse scores only a qualified success. If you saw the Royal Exchange version with Vanessa Redgrave 15 years ago, in Manchester or at the Roundhouse in London, you may stay home in good conscience; if not, the Lyric staging has its rewards for Ibsen devotees (until August 27).

This 1888 play came between *Rosmersholm* and *Hedda Gabler*. Like them, it has an anguished heroine at its centre – but where those other heroines are anchored (or trapped) in concrete situations, the "lady from the sea" floats free of anything concrete; her obsessions are private and deeply fey.

Ibsen lays on the symbolism hard. Ellida grew up in a lighthouse on the open sea (now she lives at the dull end of a fjord, wedded to an older widower); her disordered thoughts return constantly to the wild waves, and to her fateful encounter with a foreign sailor; she has almost withdrawn from real life, and from her two stepdaughters who supply the echoing sub-plots. The play works up slowly to its climactic event, the reappearance of the romantic sailor to claim his mystical bride and Ellida's dramatic re-assessment of her situation.

Lindsay Posner's production has apt, intimately impassioned music by Paddy Cuneen, of the Cheek by Jowl company, and a bold set by Tim Hatley: a looming assemblage of sea-smoothed rocks overhead, and beneath it nothing but a steeply raked floor, upon which items of furniture turn up as needed for the domestic scenes. At the final liberation, the stones lift away (as far as the Lyric's flytower will permit). We lose, however, any visible sense of the practical, provincial reality which is Ellida's lot.

Ibsen insisted that we must never glimpse the "open sea", but Hatley's designs look open as could be – we had not expected, after all, to see painted waves on the backcloth. It is left to the actors to mime the confinement of their frustrating lives amid this unconfined space, which they do with varying degrees of conviction. The stepdaughters manage nicely. Though Emily Watson plays the younger Hilde insufferably pert, she remembers just in time to register deep feeling at Ellida's return.

Matilda Ziegler brings a curious whining drawl to Bolette, the elder, but also exact representations of Bolette's moods – resigned, suddenly hopeful, delighted, bereft. But the moods succeed one another with disconcerting speed; and for that, I think, the director is to blame – for he has done the same with Ellida herself, and with her patient husband Dr Wangel (Pip Donaghy).

In Wangel's case, he blows hot, cold and judiciously concerned from moment to moment, and Josette Simon's Ellida veers still less predictably. Miss Simon is not only black but strikingly close-cropped, which makes her an exotic figure in 19th-century Norway; and why not? Her special virtues, however, are meaningful stillness and fraught grace – whereas Ibsen puts his heroine through mood-switches which may seem quite crazy, as too often they do here, if not underpinned by a palpably consistent character.

Still, Miss Simon has some noble moments. And among the secondary leads, the swains of (respectively) Hilde and Bolette are engagingly natural: Paul Higgins' would-be artist Lyngstrand dreams of a Southern career, enhanced by Hilde's constant prayers from a safe distance, and Sean Baker's dry, disappointed Arnholm – Bolette's ex-tutor – faces up to a late, uncertain marriage.

Here the director's heavy hand intrudes. It is quite clear to him, though it should not be to us, that her choice amounts to a sacrifice. Ibsen's claim is that because it is chosen freely it is no sacrifice, just like Ellida's final resolve. Much stress is laid upon Bolette's disheartened fate, when Ibsen intended nothing so unambiguous. Contrariwise, Ellida's sailor – the Stranger – is described as Finnish, and always referred to as "the American", but arrives in the unmistakeably Irish person of Liam de Staic.

From Peter Kelly there is a pleasant sketch of a typical Ibsen oddity, the artist/horn-player/hairdresser Ballested. His theatrical troupe collapsed in this little town, and he has lived there ever since. But we never really learn where "there" was: a pity, because Ibsen's most visionary flights always start from tough, pragmatic bases.

Alastair Muir

Josette Simon as Ellida with Pip Donaghy as her husband Dr Wangel

Obituary

Bernard Delfont

The death, at the age of 84, of Lord (Bernard) Delfont, marks the passing of one of the two Grand Old Men of the British entertainment industry – the other is his brother Lord (Lew) Grade, still going strong at 87.

Between them these two Russian born sons of the formidable Olga, and Isaac, Winogradsky, established, with brother Leslie, a 50 year dominance over every aspect of the nation's leisure activities, from the music halls through to television, where their influence lives on in Leslie's son, Michael Grade, the controller of Channel 4.

Bernie Delfont, a tall, handsome man well into his eighties, with a mane of silvery hair, never stopped working. He was well into his seventies when he acquired First Leisure, with its interests in discos, bowling and much of Blackpool, and he was an active president of the company at his death.

Like brother Lew, Lord Delfont began as a professional Charleston dancer but soon found being an agent a more profitable business. From there it was a short step into owning theatres and cinemas and his long reign as King of British show business.

It was Bernard Delfont who produced the Royal Variety Show for 25 years. He managed home grown stars, like Morecambe and Wise, and brought over big foreign names like Maurice Chevalier and Lena Horne. He became a force in the movie and record businesses when the Grade Organisation was sold to EMI and then became its chief executive.

Every time Lord Delfont was ejected by young Turks he bounced back, and it was his experience that guided First Leisure to success. Despite the inevitable cigars, he was never a great showman. He was not a discoverer of new talent or an inspired creator, or even a friend of the avant-garde: he was the businessman, with his finger on the pulse of public taste, whose main interest in the theatre was that night's take at the box office.

Sometimes his judgment wavered – he turned down the chance to manage the Beatles – and he rejected an investment in *Monty Python's Life of Brian* because he thought it blasphemous – but he was known as a considerate employer, a generous supporter of good causes, and a throughly old fashioned gentleman. Even his "vice" was excusable – he was a keen racing man who once owned a string of horses. His only hobby was watching the racing on television spiced by a few bets.

Antony Thorncroft

INTERNATIONAL ARTS GUIDE

Renaissance Prints

The Rijksmuseum in Amsterdam will host an exhibition over the next three months devoted to the print in the Renaissance. The show provides an overview of masters from different countries, including Mantegna, Dürer and Lucas van Leyden.

As its central theme, the exhibition traces the development of printmaking from its craftsmanlike beginnings around 1470 to the mature and professional medium it had become by 1500. The organisers have tried to emphasise the diversity of printmaking, the various techniques used and the functions prints had. There are devotional prints, landscapes assembled in albums, illustrated books, early colour prints and immense ensembles, such as Jacopo da Barbari's View of Venice.

Several unique late 15th century prints open the show, followed by some masterly examples by Martin Schongauer. Dürer is represented by a number of his best works, while Mantegna's prints include a rare impression on parchment and his Battle of the Sea Gods, printed in colour. The tentative beginnings of the technique of etching are shown, as well as the way the great masters influenced others.

The selection is based on the Rijksmuseum's own collection, together with important loans from the British Museum and other public collections. Various private collectors have also lent their treasures, some of which have never been exhibited before. The show opens on August 6 and continues till October 30.

■ EXHIBITIONS GUIDE

AMSTERDAM
Van Gogh Museum Van Gogh's *Self-Portraits*: 20 paintings and two drawings dating from his stay in Paris 1886-7. Ends Oct 9. Daily
ANTWERP
Hessenhuis-Museum Music and Painting in the Golden Age: 50 paintings by 17th century Netherlandish masters, illustrating the importance of music and musicians in the art of the period - in military, allegorical and genre settings. Ends Oct 30. Closed Mon
BERLIN
Altes Museum The Last Days of Humanity: 600 photos, posters, paintings and drawings illustrating artists' responses to the first world war, and including work by Beckmann, Kokoschka, Dix, Picasso, Chagall and Wyndham Lewis. Ends Aug 28. Closed Mon
Haus der Kulturen der Welt Tanzania - Masterworks of African Sculpture: 400 works from the 19th and 20th centuries. Ends Aug 7. Closed Mon
EDINBURGH
Royal Scottish Academy The Romantic Spirit in German Art 1790-1990. Ends Sep 7. Daily
FLORENCE
Palazzo Pitti Royal Treasures from Denmark: silver furniture, royal costumes and ivories from the era of Frederik IV of Denmark, who visited the court of Cosimo III in Florence in 1709. Ends Sep 11
FRANKFURT
Schirn Kunsthalle Goethe and Art: 300 paintings, drawings and sculptures ranging from antiquity till Goethe's death in 1832, and including work by David, Schinkel, Caspar David Friedrich, Claude Lorrain, Constable and Turner. Ends Aug 7. Daily
Deutsches Architekturmuseum European Architecture of the Present Day: an exhibition mounted in cooperation with the Fundacio Mies van der Rohe in Barcelona. Ends Oct 10. Closed Mon
GENEVA
Musée Barbier-Mueller Royal Art of Cameroon: 40 pieces of ethnographic art from the high plateau of western Cameroon. Ends Aug 30
LONDON
Hayward Gallery Bonnard at Le Bosquet. Ends Aug 29. Daily (advance booking 071-928 8800)
Tate Gallery R.B. Kitaj retrospective. Ends Sep 4. Turner's Holland: an exhibition exploring Turner's tours through the Netherlands and the influence they had on his life and art. Ends Oct 9. William Blake - Art and Revolution: an exhibition focusing on the English artist's output in the 1790s. Ends Oct 16. Daily
Marlborough Fine Art R.B. Kitaj: recent pictures and graphics. Ends Aug 20. Closed Sun
Victoria and Albert Museum Pugin - A Gothic Passion: retrospective of the 19th century British designer. Ends Sep 11. Daily
National Gallery From Caspar David Friedrich to Ferdinand Hodler, A Romantic Tradition - Paintings and Drawings from the Oskar Reinhart Foundation. Ends Sep 4. Daily
Royal Academy of Arts The Belgian Avant-Garde 1880-1900. Ends Oct 2. Daily (advance booking 071-240 7200)
British Museum Greek Gold: Jewellery of the Classical World. Ends Oct 23. German Printmaking in the Age of Goethe. Ends Sep 11. Indian Paintings and Drawings from the Collection of Howard Hodgkin. Ends Aug 21. Daily
Queen's Gallery Gainsborough and Reynolds - Contrasts in Royal Patronage: the latest selection from the Royal collections focuses on the two pre-eminent English artists of the 18th century. Ends Dec 22 (Buckingham Palace)
MADRID
Centro de Arte Reina Sofia Gerhard Richter: 100 works by one of the key figures in contemporary German art. Ends Aug 22. Closed Tues
MARTIGNY
Fondation Pierre Gianadda From Matisse to Picasso. Masterworks from the Gelman Collection. Ends Nov 1. Daily
METZ
Arsenal Gold of the Gods: more than 600 exhibits, comprising pre-Colombian jewels, ritual knives and masques. Ends Oct 2 (tel 4410 7303)
NEW YORK
Metropolitan Museum of Art Picasso and the Weeping Women: 80 paintings and works on paper from the 1930s and 1940s. Ends Sep 4. The Annenberg Collection of Impressionist and Post-Impressionist Masterpieces: 53 paintings, drawings and watercolours. Ends Nov 27. Dali - The Early Years. Ends Sep 18. Closed Mon
Museum of Modern Art From Manet to Picasso - Masterpieces from the David and Peggy Rockefeller Collection. Ends Sep 6. British Drawings 1890-1990: the exhibition highlights the work of early modernists like Vanessa Bell and Jacob Epstein, and examines the influence of Surrealism on such artists as Henry Moore and Edward Burra during the 1930s and 1940s. The postwar section includes work by Lucian Freud and David Hockney. Ends Sep 13. Closed Wed
Whitney Museum of American Art Edward Hopper (1882-1967) and Jack Pierson (b1962): the latter has selected 20 works by the former, and placed them alongside his own work. Ends Sep 11. Joseph Stella (1877-1946): more than 200 works by the American modernist. Ends Oct 9. Closed Mon
PARIS
Grand Palais The Origins of Impressionism 1859-69. Ends Aug 8. Closed Tues
Musée Picasso The world's largest collection of Picasso's work is completed by his own collection of paintings by friends such as Braque and Matisse, and artists he admired, including Renoir and Cézanne. Closed Tues (4271 2521)
Musée Rodin This delightful 18th century town house contains the life work of the sculptor Auguste Rodin. Closed Mon (tel 4418 6110)
Musée Marmottan This museum houses an important collection of paintings by Monet, including Impression-Soleil levant, from which the Impressionist movement took its name. Closed Mon (tel 4496 5033)
● Cartes musées available at all metro stations and museums, to avoid queuing at 60 museums including the Louvre, Musée d'Orsay and Versailles.
STUTTGART
Staatsgalerie Italian Drawings 1500-1800: a representative selection of the large, high-quality Stuttgart collection, built up over the past two centuries and including work by Giambattista and Tiepolo. Ends Sep 4. Picasso: a rare showing of 400 prints from a private collection. Ends Aug 14. Closed Mon
Linden-Museum Art of the Aborigines: 90 wood paintings and 40 sculptures. Ends Sep 25. Closed Mon
VENICE
Antichi granai della repubblica China in 220 BC - The Warriors of Xi'an: ten of the 7,000 lifesize terracotta soldiers who guarded the tomb of Emperor Qin Shihuangdi in central China, along with copies of war chariots and weapons discovered in one of this century's most dramatic digs. Ends Sep 11. Daily (the old granary on the tip of the Giudecca)
Palazzo Grassi Renaissance Architecture from Brunelleschi to Michelangelo: 250 works from European and American public collections. Ends Nov 6. Daily
WASHINGTON
National Gallery of Art Willem de Kooning's Paintings: 75 works by America's influential abstract expressionist. Ends Sep 5. From Minimal to Conceptual Art - Works from the Vogel Collection: 90 drawings, photographs, paintings and sculpture by contemporary artists, including LeWitt, Christo, Ryman, Beuys and Flavin. Ends Nov 27. Recent Prints and Sculpture from Gemini G.E.L.: a selection of work from the acclaimed contemporary art workshop in Los Angeles. Ends Oct 2. Daily
National Museum of American Art Thomas Cole: 70 works by the father of the Hudson River school of painting. Ends Aug 7. Mary Vaux Walcott: 50 watercolours by the early 20th century naturalist, explorer and artist. Ends Aug 29. Daily
Freer Gallery of Art Masterpieces of Chinese Calligraphy: more than 30 calligraphers are represented from the first century BC to the 20th century. Ends next Feb. Daily
Phillips Collection The Drawings of Stuart Davis (1894-1964): 90 watercolours, gouaches and drawings of radiant colour by the American modernist. Ends Aug 28. Daily

THE FT INTERVIEW: Eugene Ludwig

Old title, modern job

On the face of it, Mr Eugene Ludwig does not have too much to worry about. As a leading US bank supervisor – he oversees the health of 3,700 banks with 60 per cent of total US banking assets as Comptroller of the Currency – Mr Ludwig has to protect an industry in remarkably fine fettle.

After recovering from reckless lending and over-expansion in the 1980s, the country's 13,000 banks have more capital than in decades. This gives them a cushion in case they should repeat such mistakes. But it has not stopped Mr Ludwig warning of the new array of dangers they face.

Mr Ludwig was among the first to talk of risks facing banks such as J.P. Morgan and Bankers Trust that dominate trading in derivatives – complex instruments whose value is based in part on that of an underlying financial market. It has brought him an unusually high profile for a Comptroller of the Currency, an influential but traditionally low-profile and little-understood job.

He was appointed by the president in April last year partly because of his experience as a lawyer dealing in bank regulatory issues, and partly for a more obvious reason: having met Bill Clinton as a Rhodes Scholar at Oxford in the late 1960s, he took a law degree at Yale with both Bill and Hillary Clinton.

Mr Ludwig's Office of the Comptroller of the Currency has to fight for recognition partly because there are three other bodies involved in US bank supervision – the Federal Reserve Board, the Office of Thrift Supervision, and the Federal Deposit Insurance Corporation.

The Treasury wants to replace this supervisory web with a single Federal Banking Commission. It has run into opposition from Mr Alan Greenspan, chairman of the Federal Reserve Board, who wants to preserve separate powers for the Fed.

The US debate is unfolding as the future of banking supervision is being called into question. As banks switch towards securities trading and underwriting rather than lending, *some question whether supervisors* can keep up.

Mr Greenspan has talked of banks having to self-regulate trading activities because of the growing complexity of financial markets. This issue has particular force in the US. Teams of examiners from the Office of the Comptroller work full-time in the largest banks, and their approach has been criticised as bureaucratic and over-prescriptive.

Mr Ludwig disagrees. "In the early 1980s, we saw the view that off-site and minimalist supervision was the best way to ensure growth, and the pendulum swung in that direction. I would not say it caused the problems of banking in the late 1980s, but it certainly exacerbated them," he says.

Nonetheless, his office has been trying to devise separate approaches for small community banks, and the large banks that operate sophisticated trading operations. The examiners will remain on-site at the latter, but will examine management controls and technology, not individual loans.

He supports the idea mooted by the Basle Committee of banking supervisors from the Group of Ten leading industrial nations, that banks should use their computer models to allocate capital to cover the risks of trading securities and foreign exchange. "We are recognising the modern world, and taking advantage of a private sector capability."

But he is sensitive to the criticism that supervisors may be letting banks off lightly: "This can be misunderstood, as if banks are inventing their own capital regime." Instead, he says that banking supervisors worldwide will be "serious" about the criteria for approving the computer models.

As for US banks, Mr Ludwig is not entirely sanguine despite their strong capital and the likelihood that they will record large earnings this year. One reason is the danger that banks will – *as he puts it* – "take bigger and bigger risks" to maintain their returns on ever-increasing levels of capital.

Eugene Ludwig: US Comptroller of the Currency

A second concern is the long-term decline in the banking industry – in terms of financial assets – as companies have turned to bond and equity markets for capital rather than bank loans, while individuals have saved through mutual funds. Between 1980 and 1990, banks' share of financial assets dropped from 37 to 32 per cent.

'We have the supervisory talent to understand what banks are doing'

Mr Ludwig says it is not his job to worry about the banks' falling share of assets. "We are not cheerleaders for the industry. We are responsible for maintaining its soundness," he says. But he argues that – provided they do not take excessive risks – banks should be allowed to diversify into selling other financial products.

Further, Mr Ludwig says the fall in assets presents a false picture, because banks have concentrated on activities such as trading securities, which do not expand balance sheets. "Banks have very successfully generated fees. The jury is out on whether banking is really in decline," he says.

A more pressing question is the supervision of derivatives, an activity which has expanded to the point where it forms a substantial part of the business of some large OCC-supervised banks. This growth in itself is a warning signal, according to Mr Ludwig.

"Like any financial activity in its infancy, or childhood, or maybe young adolescence, it must be subject to a large degree of serious supervision," he says. But in practice, he says he has been "rather impressed by the risk management systems" of the large dealers of derivatives.

Nor is he worried that his staff will be baffled by the complexity of pricing derivatives portfolios. The OCC has recruited a number of derivatives specialists from banks – Mr Douglas Harris, the senior deputy comptroller for capital markets, is a former employee of J.P. Morgan.

"We have the supervisory talent to understand what banks are doing," he says. The talent could be stretched if the dozen banks and securities firms which dominate derivatives lost market share to other banks. In the short term, he believes the high costs of entry are likely to prevent this.

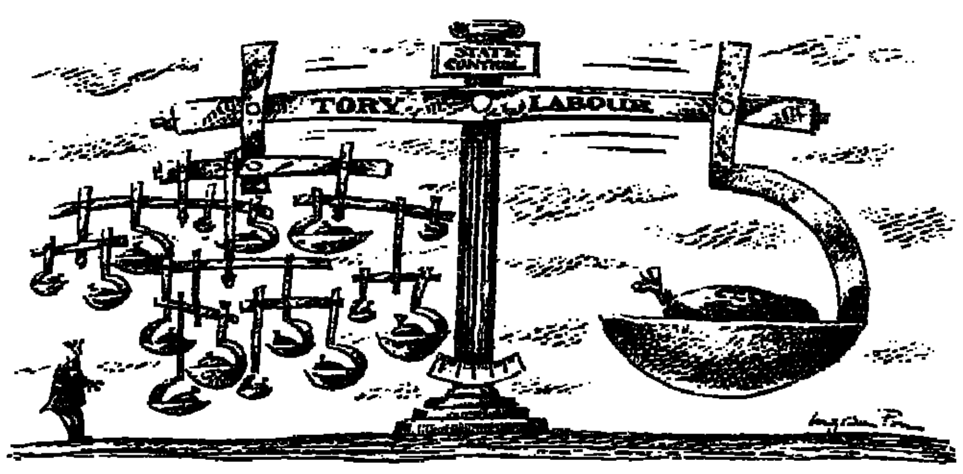
A second pressing question for the OCC – founded by Abraham Lincoln to accompany the formation of nationally chartered banks – is whether it will continue to exist. Mr Ludwig is a firm believer that the time for a single banking supervisor – such as a Federal Banking Commission – is long overdue.

"Britain gets along quite well with one bank supervisor, so what is the reason to have four?" he asks.

Mr Ludwig argues that the system creates uncertainty and excessive costs for the banks. "Banks deal in real time, but it can take them years to get answers from supervisors," he says. In one case, a compromise deal between supervisors led to the doubling of reporting requirements on banks.

If Mr Ludwig has his way in reforming the structure of US bank regulation, the antiquated title of Comptroller of the Currency may soon be consigned to history. It will happen in an era of immense change for banking supervision, not only within the US, *but across global financial* markets.

John Gapper



You pay the money and take your choice

John Willman argues for more variety, not cuts, in UK public services

Lenin wanted to abolish it. John Major says that he will shrink it. No US president can get elected without promising to get it off people's backs.

"It" is the state. And on Wednesday, Mr Major told the European Policy Forum in London that his ambition was to limit its role.

Despite his good intentions, the UK prime minister is unlikely to be any more successful than other western leaders in cutting government down to size. Using public expenditure as a measure, the state is bigger now in almost every country in the Organisation for Economic Co-operation and Development than it was 10 years ago.

Even where bits of the UK state have been sold off, most remain umbilically tied to the public sector. Privatised utilities such as electricity and water are largely controlled by government-appointed regulators. British Rail, which is in the process of being privatised, will depend on public subsidy for the foreseeable future.

Far from shrinking, the state is becoming more dominant in the economy. Businesses from pharmaceuticals to broadcasting operate in a world where the regulator giveth and the regulator taketh away.

The defence industry has long wallowed in the warm bath of government contracts. Now the financial services industry is being co-opted into providing pensions, while the City finances public infrastructure and social housing.

There are no signs that the state's appetite will diminish, or that voters' demands for it to provide ever-better public services will abate. Rather than promising downsizing, Mr Major would have been better advised to concentrate on the sort of state he wanted to provide. There is a gulf between the Conservatives and the Labour party on that issue, and some achievements for the government to brag about.

The public services that the Conservatives inherited in 1979 offered a standard product, on a take-it-or-leave-it basis. Like the model-T Ford, you could choose any colour so long as it was black.

That was fine in the early days of the welfare state, when people were grateful for free education, a National Health Service and modern council homes to replace slums. But, *like car-buyers, their aspirations* have been raised.

Now they want to be able to choose between different options in public services, just as they can in their private consumption. The Conservatives have recognised this in many of their public service reforms, breaking up monolithic institutions like the health service and local education authorities. Instead, competing hospitals, schools, colleges and housing associations offer a variety of choices.

There is not a completely free choice, of course. There never is. If you want to buy a washing machine, they are all pretty much the same apart from colour and size. And while most families have a car with four wheels and an engine, not everyone can choose a Rolls-Royce.

But people using public services have some element of choice where there was none before. Public service managers have been given greater freedom to respond to what the customer wants and incentives to encourage them to do so.

Labour still seems ambivalent about this. It worries about some people losing out by making the wrong choices, and that inequalities will result. It opposes the internal market in the health service, saying that competition there is inappropriate. It says that the GP-fundholding scheme, which allows family doctors to shop around for the best treatment on behalf of their patients, is creating a two-tier service. It promises to bring all state schools back under local authority control. Local *authorities would again begin* building homes for rent.

It is true that some people will make bad decisions, and the middle classes will find ways of getting more than a fair share. The organisations providing the services may be tempted to cream off the best customers, leaving the most *vulnerable in sink schools or* with the worst doctors.

But these things happen already. High-quality, free state education is available to those who can afford to move into the right school catchment areas. Articulate folk have always known how to argue their way to the head of any queue. They already benefit disproportionately from the welfare state.

However, it is not beyond the wit of policymakers to devise systems that stop some people hogging the resources. Giving extra payments to public services which provide for those who need them most would counteract cream-skimming. More information and advice may be needed if people are not to make foolish choices.

And there are opportunities for a left-of-centre party to build on the Conservative reforms in order to advance its egalitarian agenda. Parties like Labour were created to give ordinary people access to opportunities reserved for the privileged. Further extending choice in public services would contribute to that end.

For example, why should the best services in health and education be reserved for those who can pay for them? This, more than public service reforms, creates a two-tier society. The existence of private markets in health and education creates an "opt-out" society in which a few can buy the standard of service that many more desire.

Those private markets cannot *be abolished in a free society*. But they could be integrated into the public sector if the state bought in their services so that everyone had access to them. Giving people vouchers to buy their own health and education would further enhance choice, and force schools and health organisations to meet users' needs.

Some of Labour's policy advisers have been pressing the party's strategists to develop the Conservative reforms, not reverse them. Having studied the reforms in the health service and education, they have seen gains in efficiency and responsiveness.

Luckily for Mr Major, Labour shows no *signs of listening* to such voices. So this allows him to present the Conservatives at the next election as the party that believes in real choice in public services, and Labour as a party that appears not to.

If he wants to put clear water between the government and the opposition, Mr Major *should say* less about the doomed objective of reducing the state, and more about making it provide the sort of services that voters aspire to.

LETTERS TO THE EDITOR

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Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Quality v quantity in investment decisions

From Mr Chris Waites.

Sir, Your reports on the Confederation of British Industry survey into companies' investment appraisal methods focus on the widespread use of high-hurdle rates and/or rapid pay-back periods ("CBI survey fuels 'short-termism' debate", July 25). Bank of England governor Eddie George and others have suggested that these methods are preventing worthwhile investment opportunities from being pursued and constraining economic recovery. As highlighted at a recent conference sponsored jointly by the Institute and Faculty of Actuaries, the real issue may be more about the quality of the investment decision-making process rather than the quantum of the output.

Where hurdle rates are set at levels well above the cost of capital, the rationale is generally to provide an arbitrary margin for risk. This approach may or may not be limiting the quantity of investment that is taking place. Some secure, but unspectacular, projects will be rejected in favour of much more speculative ventures that offer the uncertain prospect of a rapid pay-back.

It must be better to allow for risk in a calculated manner than to seek crude protection through artificially high discount rates. There is little doubt that the quality of investment decisions would be significantly enhanced by the adoption of a more rigorous approach to the *identification* and analysis of risk, which would enable lower hurdle rates to be employed.

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Time to stop shooting the investment regulator

From Mr Paul Martin.

Sir, Alison Smith ("Life with a frisky watchdog", July 23/24) provides a useful summary of the current debate about the regulated product environment and the new, and now official, Personal Investment Authority.

However, gripes about today's practice of regulation and doubts about the future effectiveness of the PIA miss the fundamental point, that the primary objective – stronger investor protection – is now being achieved in the UK for two clear reasons.

First, the balance of risk (and the need for protection implies the presence of risk) is moving away from the buying public. Once upon a time they were overly exposed, being expected to comprehend complex financial products and cope with the super salesforces trying to push them. Now, as the pendulum swings towards the supply side, businesses have realised that core income streams are at risk if laws are broken. Under the new equilibrium, corporate finance will suffer, rather than personal finance.

Second, the subject of compliance risk management is now firmly on the agenda in many boardrooms. That will lead to better governance and therefore better "balanced" performance of investment business in the future, restoring confidence in a vital sector of the economy.

The PIA still has work to do to come to terms with the spectrum of risk which it now oversees for private investors. But far from firing shots at the new regulator as it takes to the air (even if it isn't the most aerodynamic vessel and has only mere humans at the controls), surely the time has come to wish all concerned a safe and pleasant flight.

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I'd opt for Schwarzenegger

From Mr David Coleman.

Sir, Helen Chadwick is "witty", says your correspondent, Antony Thorncroft (Arts: "In praise of a joyful return to the basics", July 23/24). A woman who urinates in the snow and calls it art ... is "witty"?

Call me old-fashioned, call me blinkered, repressed, or unimaginative, but I don't regard urinating in snow as witty, nor is it art. It is most probably a public health risk, or the act of someone with limited bladder control. If you disagree with me then please attempt your own witticism at the desk of your local constabulary and let me know of the resulting critical acclaim.

Sorry, Mr Thorncroft, but to borrow from the Financial Times' cartoonist, Banx, if this *is your idea of culture then* "excuse me while I reach for my Arnold Schwarzenegger videos".

David Coleman,
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No place for philanthropy in provision of share options for executives

From Mr Geoff Lindey.

Sir, The subject of executive compensation in general and share option schemes in particular is characterised by an excess of emotion and a dearth of logic. Sadly, some of the comments quoted in your article about Dorling Kindersley's unusual share option scheme are very muddled ("Publisher shares his wealth at the office", July 26). What Peter Kindersley has chosen to do is to make a gift to a number of senior executives of the company of which he is by far the largest shareholder.

There could be only two possible explanations for his behaviour: either philanthropy or the belief that this action will enhance the loyalty and motivation of these executives. Whichever reason applies, Mr Kindersley has chosen to bear all the dilution himself and he is, of course, perfectly entitled to make this decision. Mr Kindersley's suggestion that institutions wrongly believe that share option schemes are "some sort of dilution" is odd. Share options very definitely involve a form of dilution and, before permitting their holdings to be diluted, institutional investors have a legal obligation, no less, to think very seriously about the issues involved.

Trustees of pension schemes have a fiduciary duty to their beneficiaries and their investment managers, as their agents, have the same duty. Thus philanthropic gestures by institutional investors towards key executives simply cannot be contemplated.

The only grounds upon which institutional investors can contemplate the dilution of their shareholding is if they believe that this action will produce behaviour which is likely at the very least to compensate for that dilution.

That is precisely why the NAPF, in conjunction with the Association of British Insurers, issued its share scheme guidance which requires performance criteria in share option schemes which will engender a coincidence of interest between investors and management.

Furthermore, by being non-prescriptive the guidance deliberately empowers remuneration committees to identify the performance criteria which they believe are appropriate and, I earnestly hope, to articulate to investors why these criteria are appropriate.

There is one area where I personally feel useful dialogue between industry and investors could be opened. If executives could be encouraged through liberalisation of the amount, phasing and timing of options to retain their shares rather than selling them immediately after the exercise of their options they would be welcome converts to the spirit of long-termism which most institutions practise. It seems to me that such liberalisation might well be to the advantage of both shareholders and management.

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FINANCIAL TIMES

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Friday July 29 1994

Watered-down regulation

In the run-up to yesterday's review of water pricing, the industry regulator, Ofwat, raised expectations that it would be searching and combative. But its conclusions are disappointing.

Ofwat's review, the first since the industry's 1989 privatisation, comes at a crucial time for the water companies and their regulatory regime. Since privatisation, water and sewerage bills have risen annually by more than 5 per cent, on top of inflation. The rises have been driven by the spending needed to modernise miles of crumbling sewers and water mains, and by the companies' legal obligations to comply with European environmental rules. But they have provoked anger among customers, not least because of the large hikes in water chairmen's salaries.

Mr Ian Byatt, Ofwat's director-general, has done a good, tough, job in tackling one of the two main tasks of the review: setting the size of the capital spending programme which can be passed on to customers over the next decade. He has allowed only £24bn, several billion pounds less than the industry had demanded. He has also performed a valuable service in taking a closer look at the likely cost of European rules than any politician cared to do before giving Britain's backing to the directives. His conclusion – that the industry has overstated the potential costs by billions of pounds – is surely right. He has concluded, too, that companies can cut operating costs by some 14 per cent in real terms by 2005.

However Mr Byatt has been unnecessarily generous in the review's second task of setting the annual price rises. He rightly paid no heed to the industry's plea that it needed a real rate of return on capital of 9.5 per cent to finance new investment. However in settling on a figure of 5-6 per cent, he has left the companies' ability to service their debt in a comfortable state, as a relieved stock market indicated yesterday. Return on total capital, now running at 13 per cent, is likely to fall to about 7 per cent over 10 years. Moreover, analysts are still expecting dividends to rise by some 4 per cent annually in real terms. Unsurprisingly, only one company, South West Water, had indicated by last night that it would ask the Monopolies and Mergers Commission to examine Ofwat's ruling.

Mr Byatt is vulnerable to the charge that shareholders have been treated too generously, as they were in 1989. He rightly insisted that he is a public servant, not a politician. The question, however, is whether the formulae are as tough as they could have been. Yet the review does highlight questions, beyond Ofwat's remit, which must be tackled if the burden is to be distributed more fairly. One is the extent of regional disparities: areas with long coastlines, such as the south west, are forced to pay a disproportionate amount. A second is whether polluting industries should not foot more of the clean-up bill.

Those questions need to be addressed by ministers. Their squeamishness is understandable, since water is political poison. The review has not changed that: households still face a highly regressive, rising tax. The government cannot, however, devolve to the regulator the entire question of who should pay for clean water.

Indian reform

India's capacity to respond to economic crisis is remarkable. What is more questionable is the country's willingness to persist with tough reforms once a crisis has been overcome. There is an inclination towards complacency, if not sloth, instead. As the International Monetary Fund warns in this year's annual report, that is the risk India is running now.

Much has been achieved since the country found itself on the verge of a default on its foreign debt in June 1991. The exchange rate has been floated; trade and industrial policy regimes liberalised; financial sector and tax systems reformed; inflow of foreign capital encouraged; and the budget deficit reduced. By last financial year 1993-94, the current account deficit had disappeared, as export performance improved (and the economy entered a period of slow growth). Simultaneously, an unexpectedly large inflow of private foreign capital led to a rapid increase in foreign exchange reserves, to some seven months of imports by the end of last financial year. The crisis had indeed been overcome.

For all that, further reform is vital. Among the biggest remaining problems is the inefficiency of public enterprise. Of the central government's 237 active industrial enterprises, 104 lost a total of Rs39.5bn (£1.9bn) in the year to March 1993. The profits of most of the rest were inadequate, the total return on capital being a mere 2.4 per cent. Yet public enterprises employ 46 per cent of the capital stock and dominate essential industries, such as transport, telecommunications, banking, oil and electric power.

Probably the main reason for the failure to privatise public enterprise – and, indeed, to deregulate the labour market itself – is fear of organised labour. Yet the proportion of the labour force working in the public sector is a mere 6 per cent. The privileges of this tiny minority are being supported at the expense of the population as a whole.

Equally bad, there has been a deterioration on the macroeconomic front. Last financial year the fiscal deficit was over 7 per cent of gross domestic product, not 4.7 per cent, as had been planned. There is growing concern that the deficit will not fall fast enough, while inflation has reared its head once more.

It is not that Indian reform is to be written off, still less that another crisis is round the corner. The danger, instead, is that enough may only have been done to bring Indian economic growth over the rest of the decade to some 5-6 per cent, at best. This is not good enough for the future of India's impoverished multitudes. What is needed is more ambition and less toleration of mediocrity.

UK Telecoms

It lacked the razzmatazz of the Clinton administration's "superhighways" rhetoric, but the vision for the future of inter-active telecommunications services set out this week by the House of Commons trade and industry committee was just as arresting.

The committee raised the spectre of Britain being left behind by the US and Japan if it fails to invest in taking fibre-optics into local telecoms networks. It placed the onus for building such a network squarely, and rightly, on the private sector, which is well able to finance telecoms investments.

It would be a mistake to believe that the UK is in fact languishing. On the contrary, it is up with the leaders. BT's long-distance network is entirely fibre-optic, as is a high proportion of its local business connections. Cable operators are building local fibre and coaxial networks with inter-active capacity across most of Britain. Within two years, as much as 85 per cent of the mainland population will be covered by cable franchises.

The competition which cable operators are bringing to UK telecoms is good for customers, good for innovation and good for British Telecommunications, which remains overwhelmingly dominant a decade after privatisation. It was to encourage such competition that in 1991 the government gave an undertaking not to allow BT to carry broadcast entertainment to domestic subscribers until some time after 2001.

BT claims that the ban is delaying investment it would otherwise make in local fibre-optic systems, and parades itself as the only operator able to build an integrated UK superhighway. Seeking to balance BT's claims with the needs of the cable industry for start-up protection, the trade and industry committee has proposed a timetable for ending the BT entertainment ban which would leave the company free to compete across the board by 2003.

BT's claims need to be taken with a pinch of salt. It is already investing heavily in local fibre networks, and would be foolish not to do so given the range of business and domestic inter-active services not covered by the ban. It would be a serious loss to the UK if steps were taken which undermined the capacity of cable operators to fund their business plans.

It is nonetheless in the interests of all parties, and the country at large, that a clear timetable be established for allowing open competition in domestic entertainment. The detail of the committee's recommendation is problematic, but its broad thrust in favour of ending the ban by 2003, and earlier in places where cable companies are well-established, is eminently reasonable. It would give the UK the benefit of state-of-the-art networks and a competitive regime likely to make best use of them.

The onus is now on the government to adopt that course. It cannot hide behind Oftel, the telecoms regulator. This is a matter of public policy requiring a government statement.

Too much of a good thing

The Czech Republic is experiencing the problems of post-communist success, says **Anthony Robinson**

The ambition of Mr Vaclav Klaus, the Czech prime minister, to transform the former communist state into "a normal, standard country" was taken a step forward with the recent upgrading of the Czech Republic's credit rating by the US agency Standard and Poor. But the move is, ironically, likely to encourage foreign capital inflows to a central bank already suffering an *embarras de richesse*.

Few would have predicted this 18 months ago when the Czech Republic, formed after the divorce from Slovakia in January 1993, was facing an outflow of funds and hastily raising Japanese yen and US dollar loans to bolster reserves.

Since then the Republic has found markets in the west to compensate for a sharp decline in exports to Slovakia and has returned to economic growth after four years of declining gross domestic product.

The republic is now perceived as politically and economically the most stable of the post-communist states. As a result, Mr Jozef Tošovsky, governor of the Czech National Bank, has faced an uphill struggle over the past nine months to neutralise the inflationary potential of increasing foreign inflows.

"Without our open market operations [issuing treasury bills] to mop up these funds, money supply would have broken through the nominal 14 per cent annual M2 growth target consistent with 2 per cent real GDP growth and 10 per cent inflation," says Mr Tošovsky. "The central bank has taken in $1.8bn since the start of the year and we expect this to rise to $3bn before the year is out," he says.

The central bank now believes its forecast of 2 per cent GDP growth this year probably understates private sector growth. But independent foreign forecasters, such as Deutsche Bank research, are sticking to a modest 1 per cent growth, against 3.5 per cent for Poland.

The capital inflow, which has seen net official reserves rise from $3.87bn in late 1993 to $5.18bn in mid-July, has sparked off a sharp policy debate over the role of foreign investment and the timetable for making the Czech currency, the koruna, fully convertible for both investment and trade purposes.

Faced with potentially destabilising inflows of foreign capital the central bank is arguing for a tighter fiscal policy which would result in a budget surplus rather than the current balanced budget. It is also pressing for full convertibility of the Czech koruna by 1995, although this would increase the attraction of the republic for foreign investors.

Mr Klaus, who dominates government economic policy making, is more cautious. He likens full convertibility to jumping out of an aircraft without a parachute. He wants controls over capital movements until the domestic banking system is better able to compete with foreign banks and newly privatised enterprises have been revitalised by their new owners and managers.

What worries Mr Klaus is that much of the current inflow of foreign capital takes the form of foreign bank loans to Czech companies. He argues companies should take on foreign loans only when fully privatised and in the hands of managers experienced enough to take on such debt and take sophisticated investment decisions.

The self-confident and outspoken Mr Klaus has taken an increasingly tough line on foreign investment. He is a critic of foreign advisers as "purveyors of soft advice for hard currency" and castigates would-be foreign investors who seek favourable treatment from the government which would put them at an advantage over domestic competitors. Earlier this year he showed his anger over Volkswagen's failure to consult his government, still majority shareholder in the Skoda/Volkswagen joint venture, before downgrading its investment plans and cancelling a large foreign loan.

Mr Klaus' outspoken views, coupled with delays and confusion over the future role of foreign oil companies, have given an impression that the newly confident Czechs are becoming more ambivalent, if not hostile, to foreign investment.

It is an impression Mr Klaus sought to dispel at a meeting with senior executives from Siemens, the German electrical engineering group, in Prague this month. He assured them he was in favour of foreign investment, but drew a distinction between foreign equity investment by western companies and financial inflows into Czech companies that may have been privatised but not yet restructured.

Policy makers at the central bank are keenly aware of the irony of their situation. They are gratified that sound money policies, low foreign debt and political stability are attracting equity investment and reducing dependence on international financial institutions. Earlier this year the central bank even repaid in advance a $430m International Monetary Fund loan facility not due until 1995. But faced with rising foreign capital inflows they worry that the economy is not yet ready to absorb it.

It is clearly better to be at the receiving end of foreign capital inflows than suffer an uncontrollable capital flight such as Russia, Ukraine and other former communist economies.

Like other former communist states the Czech Republic has a huge backlog of much-needed infrastructure development in transport and telecommunications, housing and the like. Thousands of new or newly privatised companies also need fresh capital which the domestic commercial banks remain reluctant to loan until the companies establish a reliable track record. The debate is about how to make the economy better able to absorb the newly available foreign capital.

Until now the emphasis of Czech economic policy has been on monetary stabilisation, fiscal reform and privatisation. The question is how far policy priorities can shift towards faster growth without re-igniting inflation. Price rises dropped to 9.4 per cent on an annual basis in May against 22 per cent in 1993 when inflation jumped following the introduction of value-added tax at a basic rate on most goods of 23 per cent at the start of the year.

One option under review is to speed up the rate of bankruptcies among loss-making enterprises and live with higher unemployment. Until now industrial wage rates have been kept artificially low, under 10 per cent of German labour costs, by an ostensibly free-market government which imposes penal taxation on companies raising wages above inflation.

This policy has helped ensure that a large-scale transfer of labour to the booming private sector has occurred without the high and potentially destabilising transitional unemployment accompanying market reforms in Poland and Hungary, and looming in Russia.

But unemployment remains below 4 per cent for two reasons. First, low wages have reduced the pressure to close loss-making enterprises, ensuring that thousands of underemployed workers still remain officially employed. Second, hundreds of thousands of jobs have been created in tourism, banking, retailing and services of all kinds.

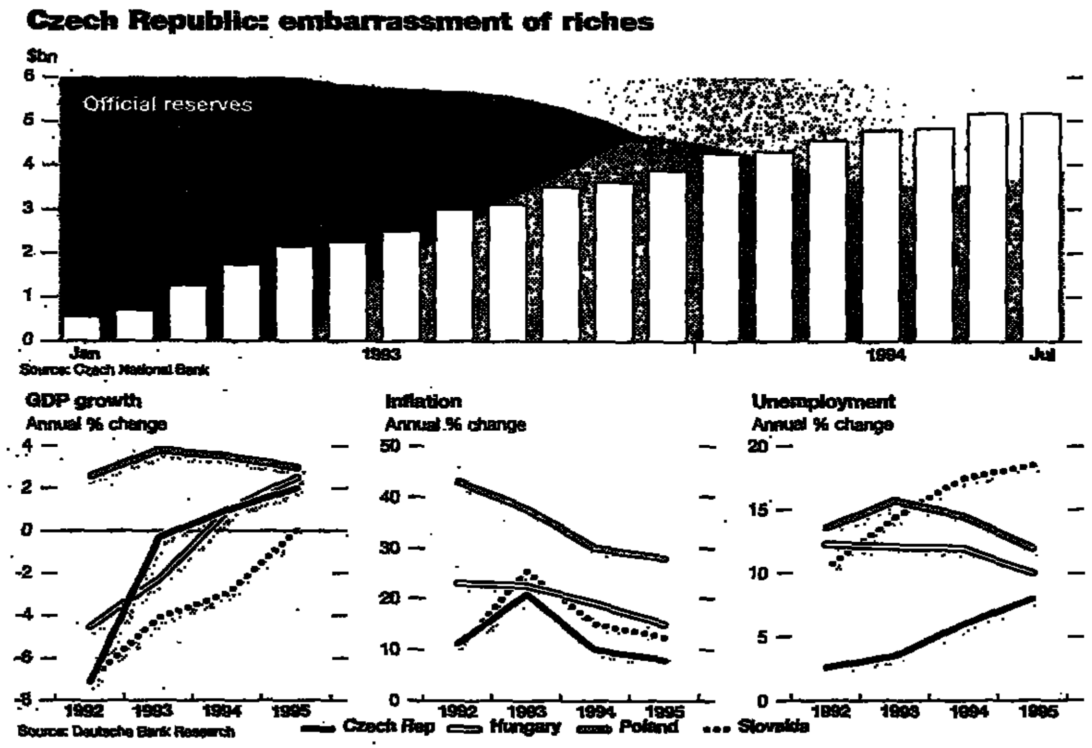
The sceptics argue that artificially low wages and the government's reluctance to implement a tough bankruptcy law merely perpetuate hidden unemployment inside loss-making factories which have also survived by piling up unpaid inter-enterprise debts.

A tougher approach to bankruptcies would expose the full extent of the problem. So would tighter surveillance of bank lending.

As foreign funds flow in and the private sector in an increasingly service-orientated economy expands, the Czech authorities are under pressure to enforce fully the plethora of banking, securities and other new laws.

Foreign fund managers like Mr Nigel Williams of Creditanstalt, the Austrian-based bank, in Prague, say that giving substance to laws and teeth to the new regulatory bodies is essential, if the foreign capital inflow is to be sustained and used to build the "standard" economy sought by Mr Klaus.

Czech Republic: embarrassment of riches



What the IMF should advise Ukraine

PERSONAL VIEW

Western governments and institutions are finally getting their act together over Ukraine. The Group of Seven industrial nations wisely announced at their recent summit that Ukraine could expect more than $4bn once it adopts meaningful economic reforms. When Ukraine's voters ditched do-nothing President Leonid Kravchuk and elected Leonid Kuchma, the G7 announcement suddenly opened the way to concrete actions.

While International Monetary Fund managing director, Michel Camdessus, has rightly opted to press the western case by making an early call in Kiev on the new president, one big problem remains: the IMF advice itself, in particular its monetary policy.

The most urgent question facing the IMF – whether in Ukraine, Russia, Kazakhstan or elsewhere – is how to help a bankrupt government trying to end high inflation. The IMF's approach is straightforward – sharp cuts in the budget deficit, a low target growth of the money supply, high real interest rates, and a floating exchange rate. But while these policies will end high inflation in the long run, they almost invariably lead to an unnecessarily deep recession; indeed, often to a reversal of the policies themselves, as recent history in Ukraine and other former Soviet Union countries confirms. The IMF has always blamed the governments for not following through, not recognising that its advice has played a significant role in these failures.

There is a better way. Stabilisations in Israel in 1985, Bolivia in 1986, Mexico in 1987, Poland in 1990, Argentina in 1991 and Estonia in 1992 have been based on a different principle. These governments recognised that low money growth was not enough. It was also necessary to bolster expectations of low inflation and to raise confidence in the money, in order to raise money holdings and to reverse capital flight. This was accomplished by a strong government commitment to a stable exchange rate, at least for several months, together with other fiscal, monetary and privatisation measures along normal IMF lines.

Exchange rate stabilisation serves several key functions in ending high inflation. It directly limits price increases in tradeable goods, thereby providing a "nominal anchor" to the price level. It ties the government to a highly visible target. It co-ordinates future price expectations around a common standard. It raises confidence in the currency, especially when the pegged rate is backed by international resources or gold, as in the case of most of the highly successful programmes.

Countries committed to a pegged exchange rate have done better than those allowing their rate to float

Countries making a clear commitment to a pegged exchange rate have done much better than countries simply allowing their exchange rate to float. Most recently, in the Baltics, the pegger, Estonia, outperformed the floaters, Latvia and Lithuania, until the latter countries relented and adopted Estonia's approach earlier this year.

The notable stabilisation programmes of the past decade – Israel, Bolivia, Poland, Argentina – were usually carried out despite the IMF, not because of it. Estonia's currency board system was launched over the heated initial objections of the IMF staff, though finally with IMF support when Estonia went ahead undeterred.

The IMF's poor monetary advice continues on seeming auto-pilot. Last week, it approved a bizarre programme for Kyrgyzstan. The Kyrgyz budget deficit is a respectable 4 per cent of gross domestic product but inflation is above 100 per cent, because of a lack of confidence in, and a continuing flight from, the new national currency. Remarkably, the Kyrgyz money supply is 3 per cent of gross domestic product, so slight is the confidence in the money! The situation cries out for a defence of the currency, backed by an international stabilisation fund. Instead, the IMF plan calls for more budget cuts, and a further decline in the ratio of money to GDP. Even the IMF's own research department concluded last December that the "exchange rate anchor" can "enhance the credibility of stabilisation initiatives".

There are still chances, though. Ukraine, Russia, Kazakhstan, Kyrgyzstan and elsewhere are all led by presidents prepared to push strong reforms, and to wrestle with parliamentary resistance. The G7 and Mr Camdessus have taken important steps to make the western support more active and timely. Now the goodwill must be backed up with good ideas – currency stabilisation supported by IMF and international resources. Renewed confidence in the national currencies in these countries would be a crucial step to a renewed confidence in economic reforms and in a democratic future.

Jeffrey D Sachs

The author is Galen T Stone professor of international trade, Harvard University

OBSERVER

Barking for bread

With 50 companies in line for flotation, the seven members of Greece's capital markets committee, watchdog for the Athens bourse, are not heading to the beach. But their diligence goes unrewarded.

They started work last December, following the passage of a new law giving them significantly sharper teeth, but the long-suffering regulators have yet to see a drachma in remuneration. To add insult to injury, the committee is still stuck in dingy, cramped offices in the economics ministry, even though it was given full independence and, theoretically, its own premises.

Far from being a socialist ruse to block measures inspired by the previous conservative regime, the delay seems to be down to good old-fashioned bureaucracy. The decree defining the salary scale awaits the president's signature. So the ex-bankers, lawyers and university professors will be living off their savings for a while yet. Nothing gets signed in August.

Mirabile dictu

■ When fund managers Jupiter Tyndall Merlin put former chancellor Norman Lamont on the board of two of their Far Eastern investment trusts, the spiel was that he would lend prestige in a part of the world where any old ex-chancellor prompts much bowing and scraping.

Now Eurosceptic Lamont, he of the ERM crisis, has popped up on the board of the same outfit's European trust. Fund manager Richard Pease had to admit the chancellor would not be accompanying him when he goes avisiting his continental investments.

But his presence will lend a certain symmetry to the board. Of the six directors, half are now old Rothschild contemporaries.

Not only is John Craig, ex banking head at Rothschild, the trust's chairman. But James Roe, who worked in investments with Lamont before the latter came to Westminster, is also a director.

Slow coaches

■ The six Kässbohrers who hold stakes in the century-old family bus maker have little to celebrate over the company's impending sale to Mercedes.

They missed a fat chance in 1988 when Canada's Bombardier offered DM100m for 25 per cent of the enterprise and an option on the rest.

Since the business was having one of its better years, they refused the bait, despite urgings from the chairman Heinz Ahrens.

Rich in tradition, Kässbohrer has long been racked by family feuds

'We need to know the size of your garden to be able to calculate your rain bill'

and general interference. Now it has finally come to a sale, the family members must await their turn behind 30 odd banks owed a tidy DM700m.

The company ran up against the crash barrier at the beginning of this year, as executives returned to the lenders, yet another begging bowl in hand.

After years of trying to shift the family's implacable opposition to takeover, Ahrens had been stung by seeing his own job advertised last November and was already making for the emergency exit.

At the same time, a works assembly in Ulm treated the family to a public roasting, and made clear they wanted the family out and a rescuer in. And so, it emerged, did the banks.

Led by Bayerische Hypo, they agreed to new credits to help the company over the hump, on condition the family ceded control. Trustees held their stakes while the manoeuvring got under way.

Now Mercedes is meeting the banks, leaving the family hovering in the station waiting room.

Cheers

■ The UK beer industry, struggling to stem the flow of duty-free continental European imports, should raise a glass to John Major's choice of David Heathcoat-Amory as paymaster general.

The former foreign office minister's uncle Derick was, after all, one of the very few British chancellors – Sir Stafford Cripps being another – to have cut tax on beer excises. In April 1959, he lifted a whole tuppence off per pint.

Good to hear one minister has duty-cutting in the genes.

Iri comes again

■ No one was more surprised than Michele Tedeschi himself when he was chosen to chair Iri, Italy's giant state holding company. He hadn't been gone long.

It was only last year that the 54-year-old lawyer was pushed sideways from the chief executive slot at Iri and sent to manage Stet, the telecoms utility. At that time, the Ciampi government had hauled back Prof Romano Prodi, the Bologna economist, to act as chairman of Iri and accelerate privatisation.

There is a bit of a pattern here, because Prodi was also a repeat performance, having been in charge of Iri between 1982 and 1989. First time around he felt his political masters had obstructed plans for proper reform.

At his next shot, he only had 12 months before the Berlusconi government took office, whereupon he left, expressing his fears that the new rightwing coalition would allow him insufficient rein.

In being recalled, this time as overall boss, Tedeschi sees himself as a technocrat who has spent more than 25 years working in-house at Iri.

But his is also a political appointment and his fate is likely to be tied to that of the government.

Verbal strain

■ British Rail officials taking a break from running trains seem to be developing a way with words. The gate to platform 12 at London's Waterloo has been recast as the "check-in" for "Britainshrinkers". Any suggestions as to why clever-sticks Orwellian allusions should placate long-suffering passengers (sorry, customers)?

FINANCIAL TIMES
Friday July 29 1994

Office rents in emerging east outstrip west's financial centres

By Andrew Taylor in London

Rents for city offices in China and Vietnam have risen sharply this year to become some of the most expensive in the world as international companies seek footholds in rapidly emerging markets.

Accommodation is in such short supply that some companies are working from hotels and town houses.

Rents in Shanghai, Beijing, Hanoi and Ho Chi Minh City have outstripped leading financial centres such London, Paris, New York and Frankfurt, according to a study by international property consultants Richard Ellis. Only Tokyo and Hong Kong have higher rents.

Ellis is currently operating out of rooms in the Beijing Toronto hotel in China's capital. It says the pace of new development has been insufficient to satisfy growing demand from international companies.

Rents in Shanghai and Beijing have rocketed by 30 per cent in the past six months alone. The shortage of space has left "a number of foreign businesses operating from hotel rooms," says the agent.

Hotel rooms also have been converted into office space in Guangzhou, where rents have risen by 9 per cent in the past six months. In Hanoi and Ho Chi Minh City in Vietnam companies have been forced to rent town houses, villas and hotels.

A total of 1,500 foreign companies are housed in just 10 dedicated office buildings in Shanghai, China's main financial centre, where some of the country's biggest property developments are under way.

Cities in East Asia account for eight out of the 11 most expensive office locations according to the agent, which compared accommodation costs in 45 business centres.

Most expensive was the inner central district of Tokyo where rents of £98.32 a sq ft increased to £111.67 after service charges and property taxes. Total costs in Hong Kong were £97.05 a sq ft.

London remains the third most expensive city with total occupation costs of £66.71 a sq ft in the West End and £61.86 in the City – but this does not include rent-free periods and other inducements offered to tenants in a market which until recently remained very depressed. Also, property taxes are expected to fall sharply in London next year.

Paris was the eighth most expensive location and midtown New York was the 13th in the rankings with total property costs of £47.72 and £36.65 a sq ft, respectively.

US plan for textile imports attacked

By Guy de Jonquières, Business Editor, in London

Asian textiles and clothing exporters and US retailers and garment producers are protesting at a proposed change in US rules of origin for textiles imports which, they say, could seriously disrupt international trade and investment.

The proposal, which has received backing in Congress, would rewrite US customs rules by defining products' origin according to the country where they are "assembled", instead of where they are cut.

Hong Kong, one of the exporters most at risk, said yesterday that the change conflicted with US commitments under the Uruguay Round trade deal. It also challenged the recent agreement to phase out the Multi-Fibre Arrangement, which restricts world textiles trade.

The Hong Kong government has joined the governments of Australia and of members of the Association of South East Asian Nations in writing to US administration officials and congressional leaders to express their concern.

They are lobbying closely with the US Association of Importers of Textiles and Apparel, whose members include jeans manufacturer Levi-Strauss, fashion house Liz Claiborne and The Limited, a leading retail chain.

The proposal, strongly supported by US textiles and clothing makers, has been approved in principle by the House of Representatives' powerful ways and means committee as part of its draft Uruguay Round implementing legislation. The Senate finance committee is considering a similar amendment.

Officially, the US administration has adopted a neutral stance towards these moves, which could upset existing arrangements under which textiles produced in one country are shipped to another to be made into clothing and then exported as a product of the first country.

Opponents fear that would require exporters to switch output abruptly between national quotas imposed under the MFA and could lead to higher tariffs on some US imports.

Ms Laura Jones, of the US importers' association, said the proposal would particularly affect Hong Kong, which sends large amounts of textiles to be processed in China, whose US textiles quota is already filled.

The proposal would move US rules of origin closer to those used by the EU. Unlike the EU, the US at present uses different rules of origin for different types of products. The US Treasury is considering plans to standardise its rules, though it is unclear how this move would fit in with the proposals in Congress.

Moscow pledge on share deals

Continued from Page 1

to Mr Gusev, not registered itself with the finance ministry, in spite of a law which obliges all companies which issue more than Rbs1bn of shares to do so and in spite of government estimates that it sold Rbs4bn of shares each day, according to Mr Andrei Vavilov, the first deputy finance minister.

Nor has it responded to requests from the antitrust committee for interviews, according to Mr Leonid Bochin, head of that committee. Meanwhile, Mr Oleg Soskovets, first deputy prime minister, criticised officials for splitting up control of the securities market.

The huge crowd of people round its headquarters swelled overnight – though most appeared relatively peaceful in the warm Moscow sun. Touts were passing through the crowd offering around Rbs80,000-Rbs90,000 for MMM shares as the black market price rose from around Rbs40,000-Rbs50,000 after company spokesmen promised that outlets would reopen today with Rbs125,000 to be offered for the shares – up from Rbs115,000, last week's price.

However, the possibility that the crowd might turn violent was clearly present in ministers' minds. A representative of the Consumers' Federation advised ministers to prop up MMM since its collapse would mean that "total responsibility for it would fall on the government".

Mr Sergei Mivrodi, the elusive MMM chairman, has threatened to mobilise his claimed 10m shareholders to force a referendum on the future of the government.

Berlusconi's brother

Continued from Page 1

weeks ago the coalition introduced a decree which limited the judiciary's powers to use preventive detention.

The Milan magistrates, who were then investigating the prime minister's Fininvest media empire, threatened to resign – a threat largely responsible for forcing the government to withdraw the decree five days later.

Mr Paolo Berlusconi is one of four people linked with Fininvest against whom arrest warrants have been issued since Friday. Only one of them, Mr Salvatore Sciascia, the head of the group's tax and accounting department, has handed himself in.

It was largely on the basis of Mr Sciascia's confessions that Mr Paolo Berlusconi was implicated for allegedly approving the payment of money to members of the Guardia di Finanza between 1989 and 1992.

Milan magistrates were yesterday seeking to establish the precise managerial role played by Mr Silvio Berlusconi while he was head of Fininvest and before he entered politics in January this year. They are also investigating his ownership of cable television channel Teleptu.

Smell of death lingers in Kigali

Continued from Page 1

distinctions that divided us in the past."

The less affluent return on foot. A constant trickle of peasants arrive in the capital each day in search of food and shelter. They head for the markets, where there is a brisk trade in looted goods: ampicillin, radios and vintage claret are on sale alongside small mounds of tomatoes, chilli peppers and sweet potatoes. The centre of town is quiet, save for the sound of brooms sweeping away the debris of war. A few shops have reopened, but they have little to sell.

Orphanages have multiplied since April, as the Red Cross and other relief agencies rescued children from houses in which all the adults had been killed. The convent of the Sisters of Mercy, founded by Mother Teresa of Calcutta, looks after more than 200 children.

Those who are old enough help the nuns carry small jerry cans of water which are filled each day from a Red Cross water truck.

The nuns will not speak about the children who were dragged away from the convent by Hutu militia, or the bombs that fell on their house.

When asked whether they believe Hutu and Tutsi can live together again, they shrug and look away.

What has happened in Rwanda has been a test of their faith.

THE LEX COLUMN

Byatt leaves the tap on

Mr Ian Byatt, the water industry regulator, will take more flak from environmental groups than from the City after yesterday's price review. Most of the 10 privatised water and sewerage companies should be able to deliver real dividend growth of perhaps 3-4 per cent through the second half of the decade. That should satisfy even the institutions which had urged the industry to stand its ground. Cash flows should support capital spending without pushing gearing to uncomfortable levels or prompting rights issues. Yesterday's rally in the sector is more than justified.

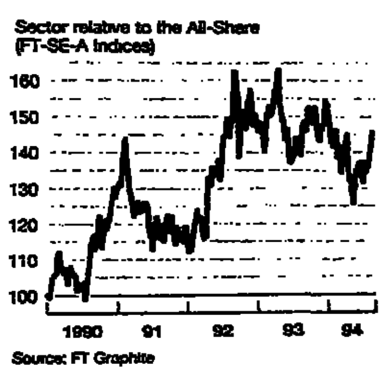
Yet not all the companies have benefitted equally. Mr Byatt's trick of pleasing investors while keeping water bills relatively low has been achieved by paring capital expenditure to the bone and setting demanding efficiency targets. Companies that anticipated this by trying to keep capital spending low (in the case of Welsh) or being rigorous in pursuit of efficiency (especially North West) have been rewarded. South West, which asked the regulator to sanction large increases in household bills to fund an ambitious capital programme, has come off worst.

Even if it misjudged the regulatory game, though, South West has reason to feel hard done by. Its appeal to the Monopolies and Mergers Commission will be on the basis that spending allowed by the regulator – barely 40 per cent of what the company asked for – is insufficient to meet legal obligations. But the real fight will be over Mr Byatt's methodology.

His approach in assessing the capital value of the companies at flotation – market capitalisation less cash – is particularly cruel to South West, which was endowed with cash to cover its particularly large environmental spending needs. It gives an initial value of around £150m ($232.5m), which looks unrealistically low and therefore exaggerates its actual return on capital. The MMC must decide whether to overturn a methodology which produced roughly the right answer in nine out of 10 cases.

FT-SE Index: 3095.9 (+13.6)

UK Water



Source: FT Graphite

Sainsbury/Wm Low

J. Sainsbury's £210m bid for Wm Low is cleverly pitched. Having crunched the numbers, Sainsbury *clearly calculated that a price of 305p* a share would give it a serious chance of winning without threatening earnings dilution. Had the offer been any lower, Tesco would have had no hesitation in rushing in again. Had it been any higher, the market would have worried that Sainsbury had dropped its trolley. It is curious that Sainsbury did not seek Low's approval. Then again, unless Tesco responds, Low has no option but to accept given that Sainsbury's bid is all cash and some 36 per cent above the original offer.

The market assumes Tesco will raise the stakes again. Low's shares closed 19p above Sainsbury's offer price. But Tesco would have to work hard to justify re-entering the fray at that level. Arguably Low is worth more to Sainsbury because of the latter's smaller presence in Scotland and lack of distribution facilities. Sainsbury may also be able to recoup more money from selling on some of Low's smaller stores while Tesco appears committed to trading from all of them.

What follows will be an test of the industry's claims to maturity. In recent years, similar, if more private, auctions were conducted around the country as grocery chains bid up superstore sites to ridiculous prices. The sums involved for Low are small and the penalty for overpaying would not be great. If bidding goes higher, the market may nevertheless attach more credit to the company that walks away than the one that wins.

Sterling

Sterling's periodic bouts of weakness in the past couple of days, which took it down to DM2.4050 at one stage yesterday, *suggest it is becoming* caught up in UK interest rate fever. On the surface this looks odd. A competitive exchange rate and economic recovery in the UK's leading export markets should not add up to balance of payments problems. The economy is growing nicely and though there are some signs of future inflation, they are as yet a matter of nuance. There is little tangible evidence that price rises are already accelerating.

Yet the exchange market would have grounds for concern if the authorities botch the turn in interest rates. Poor demand from domestic institutions for this week's gilts auction is a stark reminder that the government needs foreign capital to cover its deficit. That means maintaining sterling's attraction, and by some yardsticks short-term rates are unnaturally low.

Three-month interest rates on D-Marks and sterling are roughly level, but on average over the past 20 years sterling rates have been some 4 percentage points higher. The UK's progress in curbing inflation may be commendable but it is surely not enough to eliminate this premium altogether. The Bank of England's inflation report next Tuesday will provide another insight into inflationary expectations. If it paints a gloomy picture, the exchange market may demand interest rate action sooner rather than later.

ICI

Yesterday's half-year figures from ICI were better than the modest rise in the shares suggests. The company has outperformed the stock market by 7 per cent since the end of March, so it is quite a feat to live up to its star billing. The 9 per cent growth in chemical volumes in the second quarter is especially encouraging. With prices of most basic chemicals clearly on a rising trend, there is plenty for shareholders to look forward to.

It could be hard for ICI to sustain the current momentum. While European recovery should lend support, stock building ahead of price increases may have helped to boost volumes. The rate of volume growth may therefore be less impressive through the second half of the year. Even so, recent results from US and continental European chemicals companies suggest volumes are growing faster than seemed possible at the start of the year. With capacity utilisation rising – and in ICI's case cost-cutting still flowing *through to the bottom line* – the operational gearing could be impressive. A multiple of around 25 times this year's forecast earnings begins to look realistic after all.

FT WEATHER GUIDE

Europe today

A near stationary cold front surrounded by clouds will stretch from north-west Spain through the North Sea towards Denmark. Scattered rain and thundery showers ahead of the front will bring the likelihood of a heavy downpour over Denmark. Further north, near record temperatures of 31C will persist in Sweden and Finland.

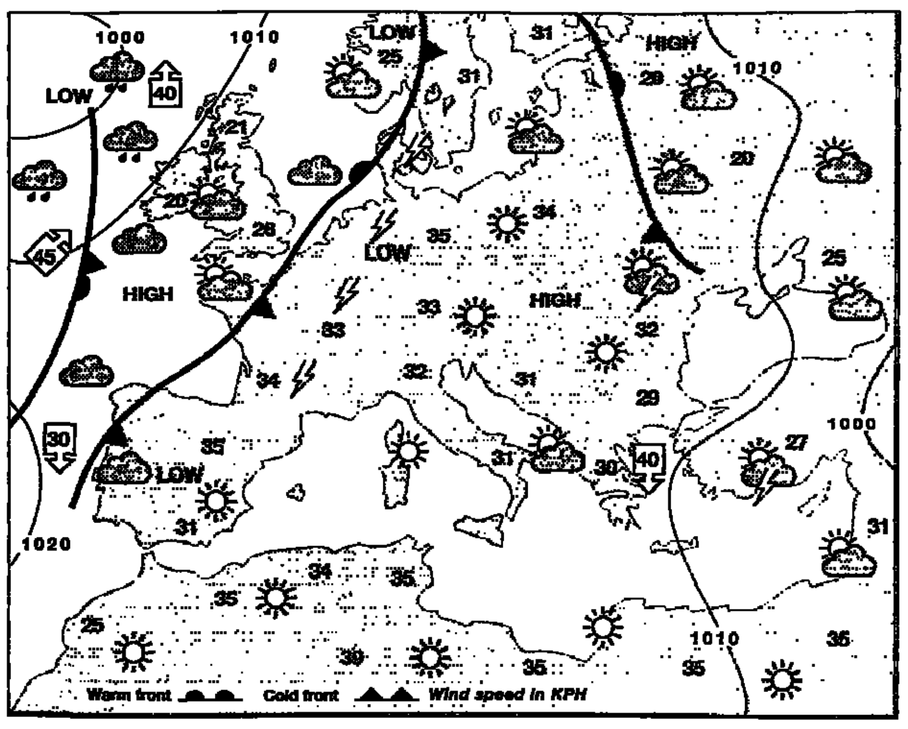
It will be cooler in coastal areas and over the British Isles. Temperatures will reach no more than 25C in the London area.

It will be rainy over Northern Ireland and the west of Ireland.

Stifling heat will continue in central Europe, the interior of Spain and southern France, where calm winds will combine with afternoon temperatures of nearly 35C.

Five-day forecast

Showery conditions are expected over the British Isles. Western Europe overall will be cooler by Sunday but it will become hotter in central Europe, with strong thunderstorms in the Alps. A heavy downpour is likely in France and the Low Countries on Sunday or Monday. Northern Europe and the Baltic states will remain exceptionally warm.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum																
	Celsius		Beijing	fair	33	Caracas	cloudy	25	Faro	sun	28	Madrid	sun	35	Rangoon	rain	26
			Belfast	shower	19	Cardiff	fair	22	Frankfurt	sun	35	Majorca	sun	32	Reykjavik	fair	14
Abu Dhabi	sun	38	Belgrade	sun	31	Casablanca	fair	25	Geneva	thund	30	Malta	fair	32	Rio	sun	29
Accra	cloudy	29	Berlin	sun	36	Chicago	fair	27	Gibraltar	sun	29	Manchester	fair	22	Rome	sun	31
Algiers	sun	34	Bermuda	cloudy	29	Cologne	thund	34	Glasgow	fair	21	Manila	rain	28	S. Frsco	fair	23
Amsterdam	thund	27	Bogota	cloudy	18	Dakar	fair	29	Hamburg	sun	32	Melbourne	rain	17	Seoul	thund	35
Athens	sun	32	Bombay	rain	29	Dallas	sun	34	Helsinki	fair	30	México City	fair	24	Singapore	fair	32
Atlanta	cloudy	32	Brussels	thund	30	Delhi	thund	28	Hong Kong	thund	31	Miami	thund	33	Stockholm	fair	31
B. Aires	cloudy	19	Budapest	sun	34	Dubai	sun	40	Honolulu	fair	28	Milan	fair	33	Strasbourg	thund	34
B.ham	fair	24	C.hagen	thund	27	Dublin	fair	20	Istanbul	thund	30	Montreal	cloudy	27	Sydney	fair	19
Bangkok	rain	33	Cairo	sun	35	Dubrovnik	sun	30	Jakarta	cloudy	32	Moscow	cloudy	20	Tangier	sun	28
Barcelona	sun	29	Cape Town	fair	19	Edinburgh	cloudy	21	Jersey	fair	21	Munich	sun	32	Tel Aviv	sun	31
									Karachi	cloudy	31	Nairobi	fair	24	Tokyo	fair	31
									Kuwait	sun	44	Naples	sun	31	Toronto	cloudy	25
									L. Angeles	sun	25	Nassau	fair	32	Vancouver	fair	21
									Las Palmas	sun	26	New York	shower	29	Venice	sun	31
									Lima	cloudy	18	Nice	sun	29	Vienna	sun	33
									Lisbon	sun	25	Nicosia	sun	34	Warsaw	sun	34
									London	sun	28	Oslo	thund	26	Washington	thund	29
									Lux.bourg	sun	32	Paris	thund	32	Wellington	shower	14
									Lyon	thund	32	Perth	shower	16	Winnipeg	sun	33
									Madeira	sun	24	Prague	sun	35	Zurich	sun	30

FINANCIAL TIMES
COMPANIES & MARKETS
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Friday July 29 1994

IN BRIEF

Mixed fortunes at US financial groups

American International Group, the US-based insurance group, notched up a 14 per cent advance in net income in the second quarter, despite little change in US property/casualty insurance rates. Page 16

Spanish bank falls 19.5%
Banco Central Hispano (BCH), the Spanish banking group, posted a 19.5 per cent first-half fall in its net consolidated profits, to Pta29.3bn ($225.8m). Page 14

Mercedes may take on buses
Mercedes-Benz has announced its expected bid for a debt-laden German bus business from its family owners. Page 14

Japanese brewer sees brisk demand
Kirin Brewery, Japan's largest beer and beverage company, said brisk demand for Budweiser beer, sold under licence from Anheuser-Busch of the US, helped first-half sales and profits. Page 15

Sumitomo delays on dividend
Sumitomo Chemical of Japan substantially cut its first-half losses after cost savings, cheaper raw materials and a lower interest bill, but has not yet decided whether to reinstate its dividend. Page 15

Mitsubishi Bank may rescue Nippon Trust
Mitsubishi Bank, one of Japan's largest commercial banks, is considering measures to rescue Nippon Trust Bank, according to industry sources. Page 15

IBM to cut 2,000 jobs
International Business Machines is expected to announce about 2,000 job cuts from its personal computer operations. Page 16

Air France studies injection
Air France, the ailing airline, is uncertain whether the FFr20bn ($3.7bn) capital injection from its state shareholder is a rescue or merely a temporary reprieve. Page 16

Patent ruling against Medeva
Medeva, the UK pharmaceuticals company, suffered a setback to its drug development programme after the European Patent Office upheld claims that it had infringed patents held by Biogen, its US rival. Page 18; Biogen shares up, Page 15

Unitech shares jump on 88% profit rise
Shares in Unitech rose 20p to 348p as the international electronic components and controls group reported an 88 per cent rise in profits. Page 18

National Express makes inroads in Poland
National Express Group, the UK's largest inter-city coach company, is to start an passenger service in Poland next month. Page 18

Return to the black for Johnson Fry
Johnson Fry, the UK financial services and investment group, returned to profit in the six months to June 30, after last year's restructuring and name change from LIT Holdings. Page 20

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Chief price changes yesterday

FRANKFURT (DM)				Legris	350	+	22
Falls				Vallourec	321.5	+	8.5
Asko	994	-	16	**Falls**			
Bay Verein	467	-	12	AGF	438	-	14.3
KHD	121.7	-	4.3	Geophysique	552	-	33
Man Vers	750	-	13	Valeo	277.3	-	9.8
Porsche	780.5	-	15.5	**TOKYO (Yen)**			
Schering	926	-	54	**Rises**			
NEW YORK ($)				Daikin Inds	948	+	18
Rises				Inoue Chem	1300	-	90
Chrysler	47½	+	½	Nihon Cem	743	+	25
Gen Motors	50½	+	1⅛	**Falls**			
Williams	33	+	1⅛	Koito Manf	781	-	19
Falls				Marudai Fd	851	-	23
Hemgest	16¼	-	⅜	NSK	778	-	20
Utd Ham	43	-	1⅛				
Wellpoint	25½	-	5½				
PARIS (FFr)							
Rises							
Essilor Int	786	+	12				

New York prices at 12.30pm.

LONDON (Pence)				Welsh Water	638	+	30
Rises				Whatman	116	+	8
Admiral	610	+	30	**Falls**			
Astec (BSR)	86½	+	4½	AAH	419	-	13
Eurotherm	403	+	13	Bentheam Group	230	-	18
HSBC (75p shs)	776½	+	22	Bolton Group	16	-	3
Ideal Hardware	234	+	24	Fairline Boats	383	-	17
Low (Wm)	324	+	44	Intercare	50	-	3
Rolls-Royce	188½	+	7½	Johnson Fry	204	-	6
Scholes	250	+	57	SmKl Beecham A	403	-	11½
Severn Trent	572	+	33				
Southern Water	588	+	33				
Unitech	348	+	20				
Watmoughs	433	+	13				

Commerzbank limited to 11% rise

Earnings are hit by poor results from trading on own account but partly cushioned by reduction in bad debts

By Christopher Parkes in Frankfurt

Commerzbank's full operating profits rose just 11 per cent to DM438m ($276m) in the six months to the end of June after being more than 30 per cent ahead in the first five months – it suffered a 68 per cent drop in earnings from trading activities on its own account.

According to an interim report, published yesterday, partial operating profits – which exclude earnings from own-account trading – were up 17 per cent at DM968m.

Earnings at this level, which were about 13 per cent higher after five months according to recent statements from Mr Martin Kohlhaussen, the chairman, were bolstered by a 7.6 per cent rise in interest income to DM2.4bn. Commission earnings, up 5.6 per cent after five months, rose 11 per cent to DM966m.

The main influence on the full operating profit was the slump from DM273m to DM87m in earnings from trading activities on the bank's own account. This was partly cushioned by a 14.6 per cent fall in provisions for bad and doubtful debts to DM710m.

Own-account securities trading recorded losses in June after suffering from "very difficult" market conditions for much of the first half and higher write-downs were necessary on the trading portfolio, the bank said.

Although no details of the June losses were given, they appear to have been substantial in the light of Mr Kohlhaussen's informal review of the first five months, in which he said own-account business was showing a "good three-digit-million result".

Commerzbank, the second of Germany's biggest banks to report this week, said it was satisfied with developments. Deutsche Bank group, which earlier this week reported a 1 per cent rise in full operating profits, also suffered a sharp fall in own-account trading because of adverse market conditions and a sharp increase in long-term interest rates.

However, Deutsche's earnings performance was computed on the basis of a comparison with six-twelfths of profits for the full year. On this basis, Commerzbank's full operating income fell 2.4 per cent while partial earnings tumbled 23 per cent.

Compared to the first six months of 1993, Commerzbank's pre-tax profits rose 72 per cent to DM728m, thanks in part to profits from the merger with Commerz-Credit-Bank Europartner and the sale of a 15 per cent stake in Karstadt.

Price slide fails to dent Dow Chemical results

By Richard Waters in New York

Dow Chemical turned in its best results for three years in the second quarter, despite a 3 per cent slide on average in the prices of its products.

Mr Enrique Falla, executive vice-president of the US chemicals company, predicted that prices would rise for many of the company's basic and speciality chemicals and plastics, due to supply constraints in the industry. This, and improvements in productivity, would lead to further earnings growth this year, he said.

Operating earnings of $602m were 17 per cent higher than a year before (excluding one-off items in the year-ago period). This was achieved on the back of sales of $4.9bn, up 2 per cent from the second quarter of 1993 despite the lower prices.

Most of the earnings gain came in the company's plastics operations, which saw a 6 per cent increase in sales to $1.8bn.

Dow pointed to volume growth around the world, as well as higher plastics prices in North America and polystyrene prices in Europe. Operating income from plastics more than doubled, to $247m.

The chemicals segment, on the other hand, suffered from lower caustic soda prices, which pushed operating income down 12 per cent to $97m on sales of $1bn. Dow expects "significant improvements" in caustic soda prices by early next year.

Underlying operating earnings also fell in the consumer specialities businesses, as the majority-owned drugs company Marion Merrell Dow saw a shift in sales to lower-margin products. Excluding a $180m charge in the second quarter of last year, operating income was down 16 per cent at $288m on unchanged sales of $1.6bn.

Net income for the period of $602m, or 91 cents a share, compared with $388m, or 54 cents a share, the year before (75 cents a share in the year-ago period before one-off items).

For the half-year as a whole, net income of $421m compared with $548m in the first six months of 1993, although the earlier period was buoyed by pre-tax gains on asset sales of $502m.

The volume growth at Dow, against the background of generally weaker prices, echoes results unveiled by Du Pont the day before. Du Pont's sales, which are roughly twice those of Dow Chemical, grew by 6 per cent during the same period, thanks in part to the acquisition of the nylon business of Imperial Chemical Industries.

Kevin Done finds the US carmakers still optimistic about the scope for recovery

Detroit hums that the best is yet to come

The big three US carmakers have all achieved record earnings in the second quarter, but General Motors, Ford and Chrysler believe that the best is still to come.

The absolute figures may not be matched later this year – the second quarter is traditionally the most profitable – but US carmakers dismiss some analysts' fears that the recovery is already approaching its peak.

"We think the cycle still has several years to go," says Mr David McCammon, Ford vice-president and treasurer. "We are early in the cycle in the US – still in the first half of it, in my view. And in Europe we're just at the beginning."

The view from Detroit is much rosier than from Tokyo, Nagoya, Turin or Wolfsburg. While rivals such as Nissan, Mazda, Fiat and Volkswagen are still battling to staunch the red ink, the big three US carmakers have put firmly behind them the record losses and upheavals of the early 1990s.

Ford's second quarter results – net profits more than doubled to a record $1.71bn – marked the sixth straight quarterly earnings improvement. General Motors' net profit of $1.9bn compares with $889m a year ago, and a paltry $46m in the second quarter of 1992. In 1991 all of the big three were heavily in loss. GM, the stumbling giant of the world auto industry, suffered losses for three years in succession.

The pace of the US carmakers' financial turnround pays eloquent testimony to the volume sensitivities of the world's leading carmakers. New car sales globally are expected to rise by more than 5 per cent this year, ending three years of falling demand, but the recovery has been uneven. In the US, car and truck sales are in their third year of recovery – Ford is forecasting US sales of around 15.5m this year, up from 14.2m last year and 12.5m in 1991.

In western Europe new car sales have started to pick up in the first six months with an increase year-on-year of 7 per cent, but the industry is still struggling to overcome the shock of last year's precipitous 15 per cent decline, the steepest fall of the post-war period.

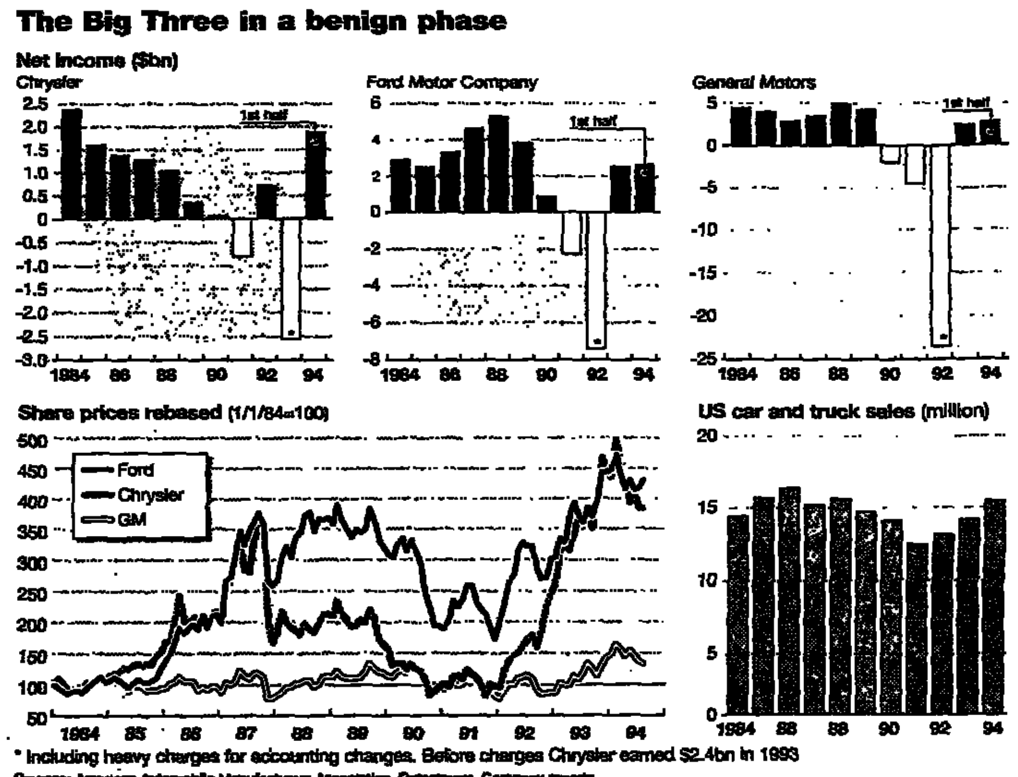
Japanese carmakers are still desperately waiting for some reassurance that the recession has finally bottomed out, as they suffer an unprecedented fourth successive year of falling domestic sales and production.

While Japanese vehicle makers and some of their competitors in Europe are still grappling with domestic plants working at low capacity, in the US the assembly lines are humming with many plants working overtime and several running three shifts round the clock.

Ford was working at 116 per cent of its so-called "available straight-time capacity" in the second quarter compared with an average level of 103 per cent in 1993 and a low of 80 per cent in 1991.

It has been increasing assembly capacity in North America steadily from 3.97m in the 1985 model year to 5.02m in 1993, and capacity is set to increase further to 5.6m in 1997/98. Chrysler is also adding capacity.

The Big Three in a benign phase



* Including heavy charges for accounting changes. Before charges Chrysler earned $2.4bn in 1993
Sources: American Automobile Manufacturers Association, Datastream, Company reports

All three US carmakers have been able to reduce marketing costs. The discounts and rebates needed to "move the metal" in the bad times are being scaled down – at Ford retail incentives were down to $550 a vehicle in the second quarter from $755 a year ago and $1,150 in the final quarter of 1992.

At the same time the share of low-profit sales to big fleets, in particular to the daily rental companies, is falling as the manufacturers sell more output through retail channels.

Profitability is also being helped by the windfall of a sharply appreciating yen. As Japanese rivals have been forced to increase prices significantly, the big three have made much more modest increments, enhancing their competitiveness.

The climb to record earnings by the US carmakers is not only a result of rising sales volumes and high plant utilisation, however. All three have undergone painful restructuring and emerged in much better shape to do battle in the global arena.

Chrysler, smallest of the three, has taken the laurels to date. Only four years ago it was regarded as a hopeless case, a company unlikely to survive to the end of the 1990s as an independent force. Today, following radical reforms in design, development and engineering, manufacturing and purchasing, it has set new standards in the world industry. It is the lowest cost producer among the big three, and Japanese carmakers now arrive at its door to carry out benchmarking exercises on world competitiveness.

A recent study by Harbour Associates, the US automotive analysts, showed that Chrysler was the most profitable US carmaker, but Ford and belatedly GM are closing the gap.

During the second quarter, Ford's return on automotive sales rose to 4.2 per cent from 1.7 per cent a year ago, but is still below its 5 per cent target for an average sales year.

In the second quarter Ford earned an after-tax profit of $945 a vehicle, well below Chrysler's $1,360. "We had a good second quarter, but it isn't good enough," said Mr McCammon, who expects the group's radical reorganisation to eat into product development and purchasing costs.

Sainsbury joins battle for Scotland

By Neil Buckley in London

The price war between the UK's biggest food retailers yesterday became a bidding war as J Sainsbury launched a rival bid to Tesco's agreed offer for the Scottish supermarket chain William Low.

Sainsbury's bid of 305p per share valued the target's shares at £210m – 36 per cent more than Tesco's offer of 225p a share, worth £154m.

Tesco said yesterday it was considering its response and urged Wm Low shareholders to take no action. Retailing analysts believe it is likely to raise its offer to 325p per share.

Wm Low's share price leapt 44p to 324p – almost double the 169p the shares stood at the day before Tesco's bid two weeks ago.

Wm Low's directors said they would consider the Sainsbury offer in detail and were in talks with both bidders.

A successful bid would raise Sainsbury's market share in Scotland from 3 per cent to 10 per cent, and give it 45 stores in Scotland and 12 in northern England, as well as a Scottish distribution depot.

Mr David Sainsbury, chairman of Britain's largest food retailer, insisted the bid was effectively not "hostile". The Scottish supermarket chain, he added, had "already endorsed an offer for its purchase. The only question now is who the purchaser will be and what the price will be."

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Paris woos trade with system to speed up large share deals

By Norma Cohen, Investments Correspondent

The Paris Bourse yesterday announced the creation of a system to allow big blocks of shares to be sold quickly.

This is calculated to recoup some of the domestic business which has migrated to the London Stock Exchange's Seaq International trading system.

The block-trade market system, to begin operating in October, will initially cover 50 stocks, including all component stocks of the CAC 40 Index and other stocks with similar market capitalisation.

However, in a climbdown, the Paris Bourse said that unlike current practice, other investors would not be immediately aware of these deals. In contrast to the competing Seaq system, trades will be reported to the central market after a two-hour delay, or, for the largest trades, the morning of the following day and will thus still be more transparent.

"The creation of a block-trade market enhances the competitive position of the CAC central-market system. In particular, it ensures that investors are better informed of transactions that were previously executed in London with no transparency whatsoever," the Paris Bourse said.

Separately, the UK Treasury yesterday announced the Paris Bourse will become the first European stock exchange to operate in London. Securities firms with the Bourse's CAC trading screens will be able to transact business without having to establish a Paris office. From 1996, EU legislation will allow exchanges in all member states to operate that way.

SEAQ International "has been quite an incentive for the modernisation of the Paris market", said Mr Jean-Francois Theodore, chairman and chief executive of the Paris Bourse. But he said the new block trading system was designed to improve services for institutional investors in Paris.

The new system would cover deals at least five times the "normal market size" in each stock. It would calculate a "weighted average spread" of outstanding offers to trade those shares, creating a wider than usual "spread" between the best buy and sell offer, the Bourse said. But the cost to investors would still fall.

Banco Central Hispano drops 19.5% at halfway

By Tom Burns in Madrid

Banco Central Hispano (BCH), the Spanish banking group, posted a 19.5 per cent first-half fall in its net consolidated profits, to Pta29.3bn ($225.8m). However, it claimed it was strengthening its balance sheet and improving the core banking business.

In contrast, Argentaria, the partially-privatised state-controlled banking group which rivals BCH in terms of assets, raised its net income by 10.1 per cent, to Pta47.4bn, against the first half of 1993. It attributed the rise to lowered provisions and a 25.9 per cent increase, to Pta30.5bn, in revenue from fees and commissions.

In common with other banks, both suffered from the impact of the sharp drop in interest rates and a resulting squeeze on margins. Argentaria raised its net interest income by 1.6 per cent, to Pta115.9bn, while BCH's interest income remained flat at Pta153.1bn.

BCH, which has the largest domestic branch network, still has to develop the cross-selling techniques which have allowed Argentaria and other banks to raise operating profits. Income from fees and commissions at BCH fell 2.8 per cent to Pta40.6bn, although increased income from its equity portfolio, and tight cost controls, helped raise the operating profit by 3.3 per cent to Pta63.8bn.

Argentaria's operating profit was up by 14.1 per cent to Pta65.4bn. The net profit total gained further from a 4.9 per cent fall, to Pta44.7bn, in provisioning allocations.

BCH, which has had its asset quality questioned by rating agencies since the begining of this year, was, however, forced to put aside Pta81.7bn in provisions, 42.9 per cent more than in the first half of last year. These allocations raised the group's coverage for bad and doubtful debts from 58 per cent to 62 per cent.

The provisions came in spite of the fact it realised Pta27.5bn through the recovery of non-performing loans. This indicates the incipient domestic recovery is raising the quality of its assets.

Argentaria's results could prompt the government, which sold 50 per cent of the equity last year, to reduce its stake further. The bank's continuing strength is also likely to fuel speculation that it will acquire a medium-sized domestic bank to bolster its comparatively small branch network.

Mr José María Amusátegui, chairman of Banco Central Hispano, has received "clear offers" from the UK's Tate & Lyle and from Générale Sucrière, the sugar group controlled by Saint-Louis of France, to buy into General Azucarera, Spain's second-biggest sugar company, writes Tom Burns.

The French and UK producers indirectly share a 21.3 per cent stake in Azucarera, and are seeking to acquire 10 per cent each of BCH's stake. BCH has a 47 per cent stake.

Mr Amusátegui is interested in such a disposal. However, he warned that the government was concerned at the prospect of the company, which has a 22.5 per cent share of the domestic sugar market, falling into foreign hands.

"It is a very political issue because of the EU's sugar quota regulations," said the BCH chairman, "and it is all the more sensitive because of the large numbers of sugar beet farmers involved who supply Azucacera."

"I think [the disposal] will go through after the summer," he said. The bank's stake in the sugar producer is capitalised at about Pta20.5bn ($157.5m).

Mercedes launches bid for family bus group

By Christopher Parkes in Frankfurt

Mercedes-Benz yesterday announced its expected takeover bid for the debt-laden Kässbohrer bus business from its family owners.

Talks opened on Wednesday with banks owed between DM600m ($250m) and DM800m by the Ulm-based company, and with advisers Goldman Sachs after preliminary talks with the Kässbohrer management which started in April.

No details of the proposed terms were released.

Sweden's Volvo group has also registered interest, but since the management and workforce favour Mercedes ownership, it appears likely that it will win. This is provided the cartel authorities agree to a deal that will give the German bidder a 57 per cent share of the domestic bus market.

There have been no public objections by local competitors MAN, which has a 24 per cent market share, or Neoplan with 13.5 per cent.

Analysts have welcomed the move as essential for the rationalisation of the bus industry, and reacted encouragingly to Mercedes' recently-announced plan to hive off its own European bus business into a separate company.

Mr Georg Stürzer of Bayerische Vereinsbank said this week that a takeover of Kässbohrer's Setra marque would generate unit cost advantages.

Although Mercedes would have to spend millions on restructuring, he said it would gain improved stakes in the French, Danish, Dutch and Austrian markets.

The negotiations mark the closing stages in the 100-year life of one of Germany's few remaining family automotive concerns. The six warring Kässbohrer family members surrendered their stakes to the care of trustees earlier this year.

The break-up of the company, which lost around DM70m on sales of DM1.7bn in 1992, started that year with the sale of its trailers division to Kögel Fahrzeuge.

ICI up 40% on worldwide revival

By Paul Abrahams in London

A combination of self-help and a surprising rise in demand assisted Imperial Chemical Industries to a 40 per cent rise in pre-tax profits during the first half.

The UK's largest chemicals company lifted profits from £240m to £353m ($547m). Mr Ronnie Hampel, chief executive and chairman designate, said the increase showed "the first tangible signs of a wide-spread recovery in our world-wide markets. This is an increasingly robust performance from all our businesses.

"About half of the improvement came from self-help and half from better demand. Prices were the same level as last year."

Turnover increased 8 per cent from £4.15bn to £4.46bn. Sales volumes were up 6 per cent during the six months, but had risen 9 per cent in the second quarter from the same period last year. Currency movements reduced sales by about 1 per cent.

Trading profits rose 52 per cent to £273m. Mr Hampel said the results had benefited by more than £210m from self-help actions since 1990. The target of savings of £490m next year was within reach, he said.

He said ICI would continue to invest in its core assets. It would invest $100m to build one of the world's largest PET resin plants in North Carolina. PET is a material used to make plastic bottles. Mr Alan Spall, finance director, added that the group was looking at the possibility of building a new US plant to make PTA, a raw material of PET.

The growth in volume had been driven by a number of factors, said Mr Hampel. New plants manufacturing Klea 134a, the CFC-substitute, and PTA had come on stream. European sales were lifted by an increase in market share as US manufacturers attempted to cope with an upturn in demand there.

Mr Hampel noted a clear upturn in the market, but not as strong as might have been deduced from ICI's second-quarter figures. The rate of sales growth was clearly unsustainable.

Second-quarter growth in the UK was 13 per cent while the European continent saw 10 per cent growth after being flat for the first three months. European sales were boosted by a sharp rise in methanol prices, and the UK fertiliser business was now breaking even.

Earnings per share rose 34 per cent from 12.7p to 17p. The interim dividend was maintained at 10.5p.

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BPA shareholders fight bid

By Peter Wise in Lisbon

Leading shareholders in Banco Português do Atlântico are preparing to defend Portugal's largest commercial bank against a hostile takeover bid by Banco Comercial Português, a smaller rival.

A group of Portuguese businessmen who control 27 per cent of BPA said they would seek to expand the core shareholding to 40 per cent. Earlier this week, BCP made a public offer of Es132bn ($819m) for 40 per cent of BPA.

An official of Sonae, Portugal's largest private conglomerate and leader of BPA's core shareholders, said the group would not make a counter-bid but hoped to increase its own holdings and persuade other shareholders to join the group.

BPA's core shareholders are bound by an agreement not to sell outside the group. The Sonae official said that if the core were extended to 40 per cent, BCP's bid would fail because the state owned 25 per cent of BPA and would remain neutral in the bid battle.

But Lisbon analysts said BCP's offer would be a severe test of the cohesion of BPA's core shareholders. "When the crunch comes and the money's on the table, the group may not hold together," said a Lisbon dealer.

BCP's bid of Es3,000 a share values BPA at Es330bn. BPA shares reached a high of Es2,800 yesterday before closing at Es2,615. They had been suspended since Tuesday, when they closed at Es2,010. More than 185,000 shares were traded yesterday.

BCP's offer has to be approved by the government, central bank and stock exchange commission. BCP control of BPA would create Portugal's largest private-sector banking group, with combined assets of about Es5,360bn.

The new group would be close in size to state-owned Caixa Geral de Depósitos, the country's largest bank, which focuses on mortgage lending and savings deposits.

UCB boosts profits 21% at mid-term

UCB, the Belgian chemicals and pharmaceuticals company, boosted pre-tax profits 21 per cent to BFr1.28bn ($39m) in the first six months of the year, aided by improved economic conditions in Europe, writes Emma Tucker in Brussels.

Post-tax profits of BFr1.23bn were lower than in the first half of 1993 when they were BFr1.74bn. The group's sales rose to BFr25.2bn from BFr23.43bn in the same period a year earlier.

Exceptional profits were below those of the previous year, which had been boosted by the sale of Vel, the group's Belgian chemicals subsidiary

UCB said its pharmaceuticals sales had benefited from buoyant demand for Zyrtec, the company's successful anti-allergy drug, which normally sells well during the spring.

Scholes Group accepts £96.1m Hanson takeover

By David Wighton in London

Scholes Group, the UK maker of electrical installation equipment, yesterday agreed to a £96.1m ($148m) bid from Hanson, more than 20 years after it first held merger talks with the conglomerate's Crabtree subsidiary.

The takeover combines two leading domestic suppliers in a market where continental European manufacturers are making inroads.

Hanson is offering 250p cash per Scholes share, equivalent to 32¼ times earnings in the year to June 1993. Scholes' shares closed down 57p at 250p on the London Stock Exchange.

Rhône-Poulenc Rorer sees return to growth

Rhône-Poulenc Rorer said it expects to return to growth in the second half of the year after reporting a net loss for the second quarter, Reuter reports.

"Sales and earnings were below expectations, particularly in the US," the company said. "However, we anticipate returning to growth in the second half of the year."

RPR is maintaining tight control of operating expenses, while continuing to invest in new products and technologies that will drive its future growth.

The company said it will start to see the beneficial results of its restructuring plan by the end of this year.

The company said second-quarter sales dipped 3.5 per cent to $973m compared with the year-ago quarter, but were about equal after the negative effects of currency fluctuations and product divestitures are excluded.

Sales in the US prescription business declined because ex-factory sales, particularly of key respiratory products, are not yet matching the audited prescription growth.

Sales in the North American over-the-counter business were below last year.

Sales in Europe, excluding currency fluctuations and divestitures, were level with the previous year.

Vard returns to black after sale of ferry division

By Christopher Brown-Humes

Vard, the Norwegian shipping group, returned to the black in the first half helped by gains from the sale of its ferry operations and a luxury cruise vessel.

The group's pre-tax result swung to a NKr519.4m ($73m) profit from a NKr212.2m loss in the same 1993 period.

The main impact was a NKr549.2m extraordinary gain on the sale of the group's ferry division and a NKr253.5m gain on the sale of the Royal Viking Sun, a luxury cruise ship.

Dyno Industrier doubles results on good demand

By Christopher Brown-Humes in Stockholm

Dyno Industrier, the Norwegian chemicals, explosives and plastics group, more than doubled first-half pre-tax profits to NKr310m ($45m) from NKr144m.

Mr Arild Ingierd, chief executive, said the group had benefited from strong growth in demand in most of its main markets, "especially in deliveries to the European automotive industry and in supplies of methanol to European markets".

He said the second half, which is traditionally weaker than the first, should be stronger than last year, but warned the group was being squeezed by higher raw material prices.

Gross operating income was NKr4.79bn, up 20 per cent on last year, while operating profits climbed 80 per cent to NKr379m.

Explosives saw operating profits more than double to NKr123m from NKr52m on a 9 per cent increase in turnover to NKr2.08bn, while chemicals raised profits to NKr228m from NKr152m as turnover rose 28 per cent to NKr1.47bn.

Correction

Banpais

The FT last week in the international edition reported that Banpais, the Mexican bank, took out a loan to pay back debt arising from the acquisition of Asemex, an insurance company, after an equity offering had not raised the amount planned. That loan was in fact taken out before the equity offering, and was not directly related to the Asemex purchase.

Mitsubishi may rescue trust bank

By Gerard Baker in Tokyo

Mitsubishi Bank, one of Japan's largest commercial banks, is considering measures to rescue Nippon Trust Bank, according to industry sources. The proposals under consideration are thought to include a takeover of the troubled trust bank.

Mitsubishi currently owns 5 per cent of Nippon Trust, the maximum permitted by law, but in the last few years it has strengthened its links and last year installed one of its senior managing directors, Mr Tomoaki Hirano, as Nippon Trust's president.

Nippon Trust is the smallest and weakest of the country's seven trust banks. The collapse of the Japanese property market in recent years has left it with a bad debt mountain. In the year to March its disclosed non-performing loans rose by 79 per cent, to Y131bn ($1.3bn), the largest increase among all Japan's leading banks.

However, this figure does not include restructured loans, on which interest has been cut sharply to keep borrowers afloat. Analysts estimate the actual total of non-performing loans could be closer to Y190bn, more than 10 per cent of Nippon Trust's loan book. These non-performing assets represent 90 per cent of the trust bank's tier one capital.

Worse still, unlike most Japanese banks it is unable to cover its potential loan losses by sales of equity holdings. Mr David Threadgold, banking analyst at BZW in Tokyo, estimates that the bank may have as little as Y30bn in such hidden equity gains, well short of its bad debt total. "Without outside intervention, Nippon Trust has no obvious way to free itself from its overwhelming problem loans," said Mr Threadgold.

By contrast Mitsubishi Bank is one of the strongest of the country's 11 "city" (commercial) banks. It has estimated problem loans of just 3.6 per cent of total loans.

Officials at Mitsubishi Bank and Nippon Trust yesterday denied that takeover plans had been agreed. However, industry sources said that Nippon Trust needed at least Y100bn in financial support.

A takeover by Mitsubishi Bank would present a conundrum for the regulators, since it could breach ministry of finance (MoF) rules on the ownership of trust banks. Last year the MoF for the first time allowed city banks to establish trust bank subsidiaries. But the new rules prevent city banks from operating some of the most profitable elements of trust banking business, such as pension funds and loan trusts. The rules are designed to protect trust banks' key activities from incursions by the larger banks.

If the MoF refused to allow Mitsubishi Bank to run the full range of trust banking activities, the merger would lose its appeal for the city bank, which might also then be reluctant to keep the bank afloat with loans. However, if the MoF allowed a full merger, other trust banks could be expected to object.

The MoF would not comment yesterday, but if it is presented with a merger plan, analysts were agreed that it would probably approve it. "Faced with the unattractive alternative of allowing a bank to fail," said Mr Mark Faulkner, banking analyst at S.G. Warburg, "the MoF will almost certainly prefer to allow a merger".

Kirin finds cheer in demand for Budweiser

By Emiko Terazono in Tokyo

Kirin Brewery, Japan's largest beer and beverage company, said brisk demand for Budweiser beer, sold under licence from Anheuser-Busch of the US, helped sales and profits for the first half to June.

The company said effects of price discounting of beer by leading supermarket chains and increased competition from cheap imported brands had yet to show up in its interim profit figures. Pre-tax profits for the six months to June rose 4 per cent to Y35.9bn ($366m), on a 1.9 per cent increase in sales to Y628.4bn.

After-tax profits climbed 19 per cent to Y17.3bn on a fall in special losses from property sales.

For the full year to December, Kirin expects a 13.1 per cent rise in pre-tax profits to Y87bn on a 6.2 per cent increase in sales to Y1,430bn.

San Miguel soars 40% in first half

San Miguel, the Philippines' largest manufacturing enterprise, has announced a 40 per cent rise in first-half net profits to 2.23bn pesos ($55m), on consolidated net sales 13 per cent higher at 32.9bn pesos, writes Jose Galang in Manila.

Earnings per share advanced to 1.56 pesos from 1.12 pesos previously.

The company said higher sales volume, which reflected the accelerated economic growth during the period, accounted for the robust financial results.

San Miguel's brisk profit increase in the first half did not include any extraordinary income. The company in April sold the present site of its Hong Kong brewery, and the windfall gain from the sale will be booked in September, when full payment for the property will be made.

The sale is estimated to result in a non-recurring income of HK$2.93bn (US$379m) for San Miguel Brewery Hong Kong.

Wheelock posts 50% gain after big exceptional sales

By Louise Lucas in Hong Kong

Wheelock, the Hong Kong holding company for the late Sir Y.K. Pao's listed corporate empire, yesterday announced a 50 per cent rise in profits, totalling HK$2.2bn (US$286m) after tax and minority interests, for the year to March 31. Until last November it was known as World International.

Profits, which grew from HK$1.47bn, were boosted by two exceptional items totalling HK$271.6m. The bulk of this accrued from the sale of two properties, while HK$113.4m worth came from the sale of long-term investments.

Wharf Holdings, Wheelock's 44 per cent owned associate whose interests span property, infrastructure and hotels, remained the driving force, accounting for around 70 per cent of profits. Wheelock hopes to reduce this domination as earnings from Wheelock Property and its joint ventures come on stream.

In the past eight months Wheelock Pacific, the vehicle for the new businesses, has concluded joint ventures with Climax International, a Hong Kong paper company, Virgin Megastores, Maison Mode, NatWest financial services and Foster's, the Australian brewery group.

The group is to pay a final dividend of 26.5 cents(HK), compared with 21 cents in the previous year. Earnings per share came in at 108.3 cents, up 51 per cent from 71.6 cents.

The consolidated net asset value of the company stood at HK$20.03 per share at the fiscal year end, an increase of 70 per cent over the 1993 figure of HK$11.76.

Mr Peter Woo, Wheelock chairman, said the company was looking at investment opportunities of HK10bn-HK$20bn a year, which could be financed by debt issues and bank financing. The company has a modest debt-to-shareholders' funds ratio of around 4 per cent.

Retailing contributions were strong, with net profits from the 70 per cent-owned luxury store operator Lane Crawford increasing 133 per cent to HK$362.1m, compared with HK$155.1m in the previous year.

However, Realty Development Corporation, Wheelock's 72.4 per cent owned property company, saw earnings slump 42 per cent, to HK$634.8m from HK$1.1bn.

Sumitomo Chemical cuts losses

By Gordon Cramb

Sumitomo Chemical of Japan has substantially reduced its first-half losses as a result of cost savings, cheaper raw materials and a lower interest bill, but has not yet decided whether to reinstate its dividend.

The pre-tax loss for the six months to June was down to Y402m ($4.1m) from Y2.93bn, in spite of a 4.2 per cent dip in sales to Y273.84bn. It said yesterday that sales of basic chemicals were down 1.7 per cent and fine chemicals 2.7 per cent, with a sharper fall of 8 per cent in petrochemicals and plastics. Agrichemicals showed the smallest decline, of 0.5 per cent, amid demand for feed additives.

Exports grew 1.6 per cent overall, to Y38.81bn. The company has also been expending its overseas interests, with projects in Singapore and the US.

Net losses were down to Y1.94bn from Y5.44bn, and it expects to reach break-even for the full year, on sales down 1 per cent to Y540bn. It is paying no interim dividend and indicated that the 1994 payout could be anything between nil and Y3 a share.

Asahi Glass profit slides 44%

By Gordon Cramb in Tokyo

Asahi Glass, Japan's biggest glassmaker, showed a 43.9 per cent slide in pre-tax profits to Y11.25bn ($115m) for the first half to June, as stagnant demand from the construction and automotive industries pulled sales 9.2 per cent lower to Y440bn.

Rationalisation measures introduced during the period, devolving some centralised responsibilities to its operating divisions, yielded a 7.7 per cent drop in operating costs to Y436.6bn. The company expects a profits recovery for the full year.

Sales of glass and construction materials, which represent almost half of all turnover, were down 7.7 per cent and those of chemicals, the second largest division, emerged 12.7 per cent lower.

Growth was achieved only in electronics, where turnover was up 2.8 per cent to Y36.9bn as a result of demand for integrated circuits, glass substrates and optical fibre.

In spite of the high value of the yen, Asahi Glass managed to expand exports by 11.7 per cent, reducing its exposure to the dull domestic economy. Exports account for 14.7 per cent of all sales, up from 12.0 per cent.

A maintained interim dividend of Y4.50 per share is being paid from net earnings of Y6.44, down from Y9.90.

Biogen shares up 50% on drug test

By Daniel Green and Paul Abrahams

Shares in German drug company Schering fell 5 per cent yesterday following a 50 per cent rise in those of US biotechnology company Biogen as the likelihood of competition in the fast-growing multiple sclerosis drug market increased.

Swiss company Ares Serono, which is developing a drug similar to Biogen's, saw its share price rise by 17 per cent yesterday.

Biogen this week reported preliminary results of final phase trials of its beta interferon drug which, it claimed, cuts the frequency and scale of multiple sclerosis attacks over a six-month period.

The company was sufficiently confident to increase production in the US and marketing in Europe. Full data on the clinical trials would be presented in October, it said.

Schering sells its own beta interferon product called Betaseron, the only such product approved by medical regulators for patients. This month, the company said 1994 sales of Betaseron would reach DM300m ($190m).

Analysts at Lehman Brothers estimate the market for beta interferon at $500m-$1bn a year by the end of the decade.

The share price rise took Biogen's market capitalisation to about $1.5bn, the fourth biggest in the biotech sector.

This week, Teva Pharmaceutical Industries, the Israeli-based group which has another multiple sclerosis drug in development, said it was setting up production facilities in Israel after viewing preliminary data of final stage trials of its treatment Copaxone.

It expects to file its multiple sclerosis drug for US approval this year or early 1995.

Newcrest Mining ahead midway

By Nikki Tait in Sydney

Newcrest Mining, the group formed when the gold-mining subsidiaries of Broken Hill Proprietary and Newmont Mining merged their Australian operations, has reported after-tax profits of A$23.8m (US$17.6m) for the six months to June, a 25.3 per cent increase over the same period a year earlier. Sales were A$212.2m, compared with A$217m in the first half last year.

Newcrest said that gold sales totalled 183,241 ounces, up from 171,838 ounces last time, at an average realised price of A$605 per ounce.

The cost of sales was A$374 per ounce, compared with A$364 previously. Group equity production was 173,419 ounces, up from 167,229 ounces.

The company said that production costs in the second quarter to end-June had been adversely affected by a write-off of deferred costs associated with its Pernatty pit at the New Celebration gold project in Western Australia.

All costs related to Newcrest's unsuccessful legal action over the sale of stake held by one of its joint venture partners in the Boddington gold mine were also accounted for during this quarter.

● Pasminco, the Australian lead and zinc producer, is to spend A$45m at its Rosebery mine in Tasmania in an effort to develop ore bodies below the current mine working levels.

The company said the four-year project would aim at the development of an additional 10m tonnes of ore reserves.

NEWS DIGEST

Australis Media in sport venture

Australis Media, the fledgling pay-TV company in which TCI, the US cable giant, and associated companies have a 26.5 per cent interest, yesterday announced that it was forming a 50-50 joint venture with Liberty Sports/Prime International to broadcast a 24-hours-a-day sports channel, writes Nikki Tait. Liberty is the programming arm of TCI.

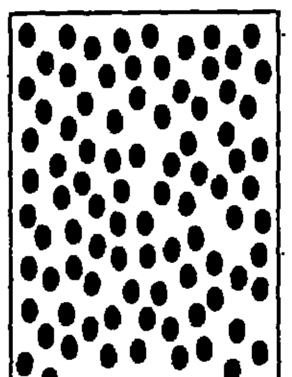
The programming deal is the latest in a series of rapid developments at Australis, as it attempts to bring pay-TV into Australian homes before the end of 1994. There is still some scepticism about Australis' long-term chances of success, given the small size of the Australian market for pay-TV and the presence of some big entrenched media interests, including those of Mr Rupert Murdoch and Mr Kerry Packer.

Dominion in talks

Dominion Mining, the West Australian mining group which recently escaped an unwanted bid from the smaller Gold Mines of Australia, said yesterday that it was negotiating with the Kazakhstan government and the state-owned precious metal mining company there, Altynalamas, over a possible concession to develop and operate the Vasilkovskoye gold deposit alongside Altynalamas, writes Nikki Tait.

Taiwan bank rises

State-run International Commercial Bank of China, one of Taiwan's leading commercial banks, posted provisional pre-tax profits of NT$1.81bn (US$68m) for the year to June 30, up 5.8 per cent on the previous 12 months, writes Laura Tyson in Taipei. Revenues rose 22.8 per cent to NT$11.8bn.



Strong results in all sectors lift AIG net income

By Richard Waters in New York

American International Group, the US-based insurance group, notched up a further 14 per cent advance in net income in the second quarter, despite little change in US property/casualty insurance rates during the period.

The improvement came on the back of a 9.3 per cent growth in premiums compared with a year before, and the absence of catastrophes in the US, which led to a fall in the group's combined loss ratio from 99.6 a year before to 98.66.

AIG reported net income of $550m on revenues of $5.6bn, against $482m on revenues of $5bn the year before. Earnings per share were $1.74, up from $1.52.

Mr Maurice Greenberg, chairman, attributed the advance to strong results in all of the group's businesses.

He said the property/casualty business in the US was helped by the absence of catastrophes, while premium rates were little changed from the previous quarter.

On the general insurance side, pre-tax income rose 14 per cent to $379m on a 9 per cent rise in premiums, to $2.9bn. Life insurance premiums, meanwhile, grew by 16 per cent to $1.7bn, fuelling a 19 per cent advance in pre-tax income to $213m.

For the first half, net income of $1.1bn was 8 per cent higher than the year before.

Transamerica drops

After-tax profits at Transamerica, the San Francisco-based financial services group, fell 10 per cent from a record high the year before, a period when the earnings had been lifted by investment gains, writes Richard Waters.

Excluding these one-off items, net income on continuing operations, of $103m, was up from $99m the year before on stronger results from leasing and consumer and commercial lending. Mr Frank Herringer, president and chief executive, said the company was "encouraged by signs of recovery in the Californian economy" and expected 1994 as a whole to be a good year.

During the latest period, income from real estate tax planning services dropped to $16m from $20m the year before, as the wave of mortgage refinancings by US homeowners diminished with higher interest rates.

This decline was more than offset by a rise in income from commercial lending to $14m, from $9m the year before, thanks to lower credit losses and better lending margins. Leasing income was up $2m at $16m and consumer lending rose $1m to $24m.

Reported net income was $106m, or $1.34 a share, down from $124m, or $1.49, the year before. First-half net income of $209m was down from $215m last time.

Bristol-Myers joins Cadus

Bristol-Myers Squibb, US drug company, has signed its biggest collaborative deal with a biotechnology company, writes Daniel Green.

Its partner in the deal, worth up to $45m, is New York's Cadus Pharmaceutical, a specialist in rapid screening of large numbers of potential drugs. BMS will take a 15 per cent stake in Cadus.

It has also committed itself to additional equity investments, on the achievement of certain scientific milestones, and to further Cadus fund raising, including flotation.

Cadus receives up to five years of research funding for work into the way hormones or drugs work in the body.

IBM plans 2,000 job cuts in PC overhaul

By Louise Kehoe in San Francisco

International Business Machines is expected to announce plans to consolidate its personal computer operations with the loss of about 2,000 jobs, or 20 per cent of the division's workforce.

Many of the remaining workers will be asked to move from sites in Florida and New York state to North Carolina. The US group will also begin to simplify its PC product line, which includes about 500 models which differ only slightly. Management changes are also expected.

The reorganisation is designed to cut costs and boost IBM's flagging performance in the highly competitive PC market. During the past nine months the company has lost its leadership in PC sales, according to analysts.

While Compaq Computer's revenues jumped 53 per cent in the latest quarter, IBM's PC sales were up only about 5 per cent and the company said its US sales had declined slightly.

The 2,000 job losses are part of IBM's plans to reduce its total workforce from about 235,000 to 215,000 by the end of the year. It also said it would close one of its mainframe computer production plants, in Kingston, New York, next year and relocate 1,500 workers to a similar plant.

The closure reflects the phasing out of IBM's water-cooled mainframe technology which is being replaced with less expensive air-cooled models based on complementary metal oxide semiconductor technology.

Goodrich buys textile operation

BF Goodrich, the US chemicals group, will acquire the textile coatings business of France's Rhône-Poulenc for an undisclosed price, AP-DJ reports. The coatings business employs 110 people with sales of $48m in 1993. Goodrich's specialty chemicals business recorded sales of $830m in 1993.

Time ticks away for Air France reprieve

The French carrier must bite the reform bullet by 1996, writes **John Ridding** in Paris

A rescue, or a temporary reprieve? That is the question confronting Air France after Wednesday's approval of a controversial FFr20bn ($3.6bn) capital injection for the ailing airline from its state shareholder.

The conditions attached to approval of state aid were numerous, but were largely anticipated and scarcely aggressive, prompting strong condemnation from several of the French carrier's rivals.

For Air France it is unclear whether the additional finance will underpin recovery or whether it will represent just the latest, and by far the biggest, sacrifice of funds in the airline's history of decline.

The answer will depend on whether the French national carrier finally bites the bullet of reform and addresses the strategic and management weaknesses behind losses that reached FFr8.48bn last year.

This is half the deficit of the world's leading airlines.

"They have to restructure, and quickly," says Mr Guy Kekwick, analyst at Lehman Brothers in London. "They are in a serious financial situation, and without the kind of reforms that other airlines have undertaken, they will struggle to survive the next downturn in the market."

The first FFr10bn tranche of state aid will ease the airline's immediate financial pressures. The cost of financing its debts of more than FFr35bn resulted in financial charges of FFr3.51bn last year, while negative cashflow has forced the company to borrow to fund such basic requirements as fuel.

However, under the terms of the Commission's approval for the capital increase, the next two tranches of funds, due in 1995 and 1996, will only be permitted if Air France delivers on a three-year cost-cutting and restructuring plan, drawn up by Mr Christian Blanc, the chairman. In addition it must maintain its pledge to reduce its fleet and dispose of assets, such as the Meridien hotels chain.

Previous restructuring at Air France has failed miserably, often due to the resistance of the airline's 14 trade unions. Last October, strikes forced a humiliating climbdown by the French government and the scrapping of a recovery plan drawn up by Mr Bernard Attali, who resigned as chairman in protest.

So far, Mr Blanc has made progress in implementing his reforms. An audacious referendum of the airline's staff in April won him approval for a framework restructuring package, allowing him to introduce a wage freeze and to start cutting the workforce through voluntary redundancies. Air France says the target of 2,100 job cuts this year, from a total workforce of 39,600 at the beginning of January, should be achieved.

Christian Blanc: progress in implementing his reforms

There is a long way to go to Mr Blanc's objective of a 30 per cent productivity increase over the next two years. Moreover, most industry analysts believe the plan, scarcely more ambitious than that drawn up by Mr Attali, is at best the minimum required for Air France's survival.

Mr Blanc is negotiating with unions concerning the reorganisation of working practices. Changes in working hours, rotas and management structures are vital if the productivity improvements demanded by Brussels are to be obtained by the end of 1996. But some unions, including the pilots' union, are opposed to the proposed productivity measures.

On the revenue side, Air France is benefiting from a rebound in passenger traffic and an increased load factor, which averaged 72.5 per cent in the first five months, against about 64 per cent in the same period last year.

However, the airline's wings are being clipped by the Commission's demand that it restrict traffic growth to 2.7 per cent per year.

"This will be a constraint," says one airline analyst. "But the priority for the airline is to increase the revenues per passenger rather than the number of passengers."

Air France has outlined plans to reduce its fleet from 166 aircraft to 149 within five years and to cut some non-profitable routes.

A thorny problem could be a transformation of Air France's relations with Air Inter, its domestic subsidiary. The European Commission has demanded the capital increase should go only to Air France. As a result, the French government is proposing the separation of the two airlines and the creation of an umbrella holding company.

The legal separation of the domestic airline may bring complications – in particular, through an assertion of independence by the domestic airline, which feeds many of Air France's international routes through Orly and Charles de Gaulle airports in Paris and which is seeking greater access to European routes.

The sensitivity of Air Inter's unions, anxious for a more equal relationship with Air France, was demonstrated yesterday. Some union leaders refused to attend a meeting with Mr Blanc to discuss the group's new structure, expressing concerns that Air Inter would be left to the mercy of increased liberalisation of the internal French airline market while Air France receives all of the state aid.

The establishment of a new relationship with Air Inter is a complex task which will be difficult to resolve quickly. Unfortunately for Air France, time is firmly against it.

After the controversy of the latest capital injection, and with Brussels adamant, this must be the last recourse to state funds. Air France must now, or never, learn to fly on its own.

Placer Dome helped by higher gold prices

By Bernard Simon in Toronto

Higher gold prices helped Placer Dome, the Vancouver-based mining group, to post a slight rise in second-quarter earnings, in spite of a drop in output.

Earnings climbed to US$24m, or nine cents a share, from $21m, or eight cents, a year earlier. Sales rose to $242m from $234m.

Placer's share of gold production from its 14 mines in the US, Canada, Chile, Australia and Papua New Guinea fell to 449,000 ounces from 453,000 ounces. But the average price advanced to $387 per ounce, from $357. First-half output was down to 891,000 ounces from 903,000 ounces. Higher production at five mines was offset by the disposal of the Dona Lake mine and closure of the Equity Silver mine, and by lower production at the Detour Lake, Kidston, La Coipa and Golden Sunlight properties.

Placer said its share of production would total 1.8m ounces this year. Output from Australasia was expected to dip by 7 per cent, mainly due to lower grades at the Kidston and Porgera mines.

Production from Canada would fall by 3 per cent, but the US would grow by 5 per cent, mainly with improved grades and mill throughput at the Cortez mine and new production at Bald Mountain.

Bid speculation hoists Williams

By Patrick Harverson in New York

Shares in Williams Companies, the diversified US energy group, rose yesterday amid speculation that LDDS Communications had increased its offer for WilTel, Williams' telecommunications unit, to $2.5bn from $2bn.

WilTel, with revenues last year of just under $1bn, operates the fourth largest US adavnced national fibre optic long-distance telecommunications network. Williams rejected the original, unsolicited, offer from LDDS, the Mississippi-based telecommunications group, in May.

Williams shares were up $1½ at $32¾ in early trade.

Elf in FFr1bn assets deal for BNP shares

By John Ridding

Elf Aquitaine, the French oil company privatised earlier this year, yesterday said it would sell FFr1.1bn ($198m) worth of industrial investments to Banque Nationale de Paris, its principal bank.

Elf will be paid in BNP shares, which will make the oil group the second largest investor in the bank with more than 4 per cent of its capital. Elf holds 1.86 per cent of BNP's shares – taken at BNP's privatisation last autumn.

A joint statement said the deal reflected Elf's strategy of disposing of non-core assets and BNP's desire to strengthen its position in venture capital, where it holds investments worth about FFr15bn. The two companies are part of each other's *noyau dur* of long-term stable investors.

Elf will sell the industrial assets held by Financière Gamma, a subsidiary of CPIH, which in turn is a joint subsidiary of Elf and Elf Gabon, which groups the oil company's Gabon interests. The operation is expected to involve the issue of between 4m and 4.4m BNP shares.

The assets involved are non-listed and most are venture capital investments. They include Marie Brizard, the liqueur company and France Elevage, the genetics and agricultural concern.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 29.07.94 | Final Prices for Trading on 01.07.94

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	10.50	21.99	23.87
0100	9.61	16.52	18.39
0130	9.60	16.52	18.39
0200	9.60	16.52	18.39
0230	9.60	16.52	18.39
0300	9.60	16.52	18.39
0330	9.60	16.52	18.39
0400	9.60	16.52	18.39
0430	9.60	16.52	18.39
0500	9.60	16.52	18.39
0530	9.61	16.70	18.58
0600	9.61	16.70	18.58
0630	9.61	16.70	18.58
0700	11.29	22.45	24.32
0730	16.71	23.98	25.85
0800	18.04	25.93	27.81
0830	17.75	23.93	25.81
0900	18.58	25.13	27.03
0930	19.32	30.65	32.55
1000	33.11	30.66	32.56
1030	33.11	27.81	29.72
1100	19.33	30.68	32.59
1130	19.33	35.14	37.06
1200	24.56	38.12	40.04
1230	24.56	38.09	40.00
1300	19.32	30.64	32.53
1330	19.32	27.74	29.62
1400	18.21	24.88	26.76
1430	18.04	24.87	26.75
1500	17.75	23.98	25.86
1530	17.40	23.98	25.85
1600	17.35	23.98	25.89
1630	17.35	23.98	25.85
1700	26.63	34.99	36.87
1730	26.63	34.99	36.86
1800	26.63	23.98	25.85
1830	17.40	23.98	25.85
1900	17.40	23.82	25.70
1930	17.11	23.58	25.46
2000	17.11	23.58	25.46
2030	16.33	23.42	25.30
2100	16.33	23.42	26.30
2130	23.79	28.81	30.69
2200	33.38	38.48	40.35
2230	23.79	38.48	40.35
2300	16.33	38.48	40.35
2330	16.33	38.48	40.35
2400	13.40	23.42	25.30

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
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INTERNATIONAL CAPITAL MARKETS

Treasuries make progress despite news on jobs

By Frank McGurty in New York and Conner Middelmann in London

US Treasury bonds made progress yesterday morning despite a stronger than expected reading on conditions in the labour market.

By midday, the benchmark 30-year government bond was ½ higher at 84 21/32, with the yield slipping to 7.556 per cent. At the short end, the two-year note was up 1/16 at 99 21/32, to yield 6.21 per cent.

Bonds across the spectrum came under early pressure when the Labor Department reported that initial claims for unemployment benefit last week had fallen by 59,000 to 331,000, the lowest level since March 26.

Analysts, however, attributed the steep decline to technical factors and discounted the raw data as an accurate reading of the condition of the economy.

This interpretation allowed Treasuries to climb back into positive territory, though the approach of today's preliminary estimate of second-quarter gross domestic product held bonds in check, especially at the short end of the maturity range.

Today's GDP report should provide a clue to the timing of the Federal Reserve's next move to lift short-term interest rates. Economists were predicting second-quarter growth would come in at 3.9 per cent, up from 3.4 per cent in the first three months of the year.

As traders sought to square their positions ahead of the data, dealers were trying to distribute this week's fresh supply of two-year and five-year notes into the market.

The influx of new paper heightened the potential for a sharp downturn in prices should the GDP estimate exceed the consensus forecast.

■ In the absence of significant fundamental news, European government bonds spent another day drifting sideways on low volume. However, volatility remained high due to thin market conditions.

GOVERNMENT BONDS

■ Gilts had another roller-coaster session: falling at the opening in the aftermath of Wednesday's sell-off, recovering on investor buying and easing back in late trade on worries about a rise in UK interest rates. The September long gilt futures contract closed at 101 1/32, up 3/32 on the day.

Continuing worries about the possibility of an imminent rate increase, which pushed three-month rates to their year's high yesterday, continued to weigh on the market. "Most people have been expecting rates to rise eventually, but now there's increasing talk that we'll see a pre-emptive rate hike sooner than expected," said a senior gilt trader.

Nervousness ahead of today's second-quarter US GDP data also overhung the market. "Going into the data, people aren't willing to take any sizeable positions either way," said Mr Ifty Islam, international bond strategist at Merrill Lynch.

Still, traders reported some investor buying of medium and long-dated stock, which helped gilts recoup their losses during the day. Switching into gilts from neighbouring markets was also reported, helping gilts' 10-year yield spread over bunds to narrow to around 183 basis points from Wednesday's high of 195 basis points.

■ Trading in the German bond market was technical and futures-driven, with retail investors said to be sidelined. The late breach of key support levels on the September bund future gave scope for further falls in the contract and, according to Mr Peter Kerger, head of futures and options at NatWest Markets in Frankfurt, it could test 92.20 in the coming days. However, he said he does not expect it to revisit its recent low of just below 90.00. The contract ended at 92.82 on Germany's DTB, down 0.48 points on the day.

■ French bonds fell in line with bunds, ignoring the Bank of France's widely expected 10 basis point cut in its intervention rate to 5 per cent. The September notional bond contract on Matif ended the day at 116.84, down 0.34 points on the day.

■ Italian bonds took a breather after the recent sell-off, closing only slightly weaker. However, sentiment remains weak given the fragile political background, and the market is expected to remain volatile as the corruption probe continues into Prime Minister Silvio Berlusconi's holding company Fininvest.

Vietnam Frontier Fund raises $50m

By Victor Mallet in Bangkok

Vietnam Frontier Fund, the latest investment fund aimed at the fast-growing economies of Indochina, has received commitments for $50m. The fund's managers had initially hoped to raise as much as $100m.

There are four investment funds operating in Vietnam, and all are listed in Dublin, mostly for tax reasons. The other three funds have raised some $170m.

Finding viable investments in Vietnam has proved difficult and slow for all four funds. Only $25m of the $50m in commitments to the Vietnam Frontier Fund has actually been paid in, with the remainder on call from the investors.

The new fund plans to take a particularly active role in creating and managing the companies and projects in which it buys a stake, and would be able to provide them with credit.

"Because issues such as training and control are critical to successful investment in Vietnam today, the managers of the fund will second staff as required to ensure that its investments are properly nurtured," the fund said.

By providing stand-by letters of credit for new projects, the fund said it "hopes to be able to provide one of the missing elements in the current Vietnamese investment environment".

The fund said it would open offices in the capital Hanoi and in Ho Chi Minh City, the southern commercial centre that includes Saigon, and would look at investments in real estate development, natural resources, banking and financial services, tourism, infrastructure and industry.

Finansa Thai, a Bangkok-based merchant bank group, owns 70 per cent of the fund's management company. Stockbroker HG Asia has 20 per cent and N. X. Oanh Associates of Vietnam 10 per cent.

Mr Eugene Davis, fund president, said: "We plan to commit our first investment for the fund within the next month."

Seven-year sterling issue for European Investment Bank

By Graham Bowley and Antonia Sharpe

The European Investment Bank (EIB) followed up Wednesday's Y50bn three-year offering yesterday with a £200m issue of seven-year eurobonds. The bonds were priced to yield 5 basis points over the 7 per cent UK government bond due 2001.

Syndicate managers questioned the timing of the issue, in view of Wednesday's sharp fall in the gilts market. Some reported subdued demand for the bonds and predicted that they would struggle in secondary market trading.

However, the EIB and lead manager BZW said the recent fall in the gilt market had little impact on the issue. Indeed, the EIB said its bonds had benefited from the better tone in gilts yesterday.

BZW said most of the demand came from continental European retail and institutional investors, attracted by the current coupon of 8.5 per cent and the significant discount to par.

The EIB had also taken advantage of the lack of supply in the seven-year area. "Because of the low level of swap spreads in the eurosterling market, there have not been any issues with a seven-year maturity this year," BZW said.

INTERNATIONAL BONDS

The EIB said the funds raised from the issue will be on-lent to projects in the UK. About 90 per cent of the EIB's sterling borrowings this year have gone back into the UK.

Ontario Hydro tapped the short end of the Canadian dollar curve, raising C$350m through an offering of two-year eurobonds. The pricing of the bonds, to yield 20 basis points over two-year Canadian government bonds, was seen to be fair, although some syndicate managers thought the issue was too large given its orientation towards retail investors.

Joint lead manager Nomura said the wide differential between yields on Japanese and Canadian government bonds and the view that the yen was close to its peak made these bonds attractive to Japanese investors.

Two-year Canadian government bonds currently yield around 8¼ per cent, compared with around 2.60 per cent on Japanese government bonds with the same maturity.

Nomura reported a strong take-up from its regional offices while ScotiaMcLeod, the other joint lead, expected the balance to be placed in Europe over time. Soon after the bonds were freed to trade, the spread widened out to around 23 basis points.

Elsewhere, Morocco is believed to have asked several investment banks, including Paribas, Salomon Brothers and two other US houses, for advice about a possible return to the international bond markets following the rescheduling of its foreign debt last year.

The country is thought to be interested in raising between $100m and $200m through a eurobond or a Yankee bond issue, or failing that, by means of a private placement. The maximum maturity would be five years, although three years was more likely to appeal to investors.

Bankers said Morocco's debt had traded well since the restructuring and investors with holdings of emerging market debt were keen to diversify away from Latin American paper, but the difficult conditions in the international bond markets and the volatile situation in Algeria could hamper Morocco's return. A further disadvantage was that Morocco did not have a credit rating, although it might well seek one in the near future.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
MBNA MCCT II, Tranche A(a1)‡	487.2	(b)	100.00	Jan.2002	-	-	CS First Boston
MBNA MCCT II, Tranche B(a2)‡	25.2	(b)	100.00	Jan.2002	-	-	CS First Boston
YEN							
KfW International Finance*‡	30bn	(c,d)	100.00R	Aug.1998	0.225R	-	Daiwa/ Norinchukin Intl.
STERLING							
European Investment Bank(d)	200	8.50	98.218R	Nov.2001	0.30R	+5 (7%-01)	Barclays de Zoete Wedd
CANADIAN DOLLARS							
Ontario Hydro	350	8.50	99.586R	Aug.1996	0.125R	+20 (7¼%-96)	Nomura/ ScotiaMcLeod
SWISS FRANCS							
Swedish Export Credit**	100	5.00	101.65	Aug.1997	1.25	-	UBS

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. **Private placement. *Unlisted. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) MCCT: Master Credit Card Trust. a1) Principal payment: 15/8/99. a2) Principal payment: 15/9/99. b) Priced later: 1-mth Libor + approx 18bp. c) 2.3% fxd annual for 1st 2½ yrs and 6-mth Libor +60bp. d) Short 1st coupon.

Peregrine Investments forms Burmese venture

By Louise Lucas in Hong Kong

Peregrine Investments Holdings, the Hong Kong based merchant banking and securities house, has joined forces with Union of Myanmar Economic Holdings of Yangon, a privately-owned company which handles investments for pension funds, to form a joint venture investment company in Myanmar, Burma.

The fund is to focus on direct investments in new projects, as well as existing companies.

The Hong Kong group says it is optimistic about the country's economic outlook as it continues to open up to foreign investors.

Peregrine operates in Burma through its 80 per cent owned subsidiary Peregrine Capital Myanmar in Yangon.

This company has directly invested in shrimp processing joint ventures with the Department of Fisheries in Burma, and is engaged in agency, direct investment and financial advisory work for foreign companies looking to invest in the country.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	96.0200	-1.390	9.62	9.62	9.64
Belgium		7.250	04/04	94.8500	-0.800	8.08	7.89	7.94
Canada *		6.500	06/04	81.9500	+0.250	9.34	9.15	9.27
Denmark		7.000	12/04	92.9000	-0.750	8.03	7.91	8.37
France	BTAN	8.000	05/98	104.5000	-0.130	6.58	6.53	6.79
	OAT	5.500	04/04	87.5800	-0.150	7.32	7.25	7.60
Germany Bund		6.750	05/04	98.8100	-0.460	6.92	6.80	7.06
Italy		8.500	01/04	85.6000	-0.200	10.80†	10.44	10.46
Japan	No 119	4.800	06/99	104.7350	-	3.69	3.57	3.58
		4.100	12/03	98.0710	-	4.39	4.34	4.30
Netherlands		5.750	01/04	91.8400	-0.320	6.98	6.92	7.10
Spain		8.000	05/04	84.8000	-0.350	10.55	10.36	10.57
UK Gilts		6.000	08/99	90-25	-2/32	8.28	7.87	8.36
		6.750	11/04	87-23	-7/32	8.56	8.24	8.64
		9.000	10/08	103-00	-5/32	8.63	8.35	8.80
US Treasury *		7.250	05/04	99-21	+7/32	7.30	7.24	7.33
		6.250	08/23	84-20	+13/32	7.56	7.55	7.61
ECU (French Govt)		6.000	04/04	87.7800	-0.460	7.84	7.70	7.99

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
		One month	4.26	Two year	6.23
Prime rate	7¼	Two month	4.46	Three year	6.50
Broker loan rate	5½	Three month	4.55	Five year	6.96
Fed.funds	4¼	Six month	5.04	10-year	7.29
Fed.funds at intervention	4¼	One year	5.57	30-year	7.56

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	116.84	116.84	-0.34	117.04	116.40	171,467	119,508
Dec	116.02	116.00	-0.34	116.04	115.56	984	14,220
Mar	115.32	115.30	-0.34	115.32	115.00	494	2,486

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Aug	Calls Sep	Calls Dec	Puts Aug	Puts Sep	Puts Dec
115	-	-	2.80	-	0.56	1.83
116	0.84	1.67	2.20	-	0.93	2.22
117	-	1.13	1.75	0.16	1.21	2.65
118	-	0.62	1.20	-	1.75	-
119	-	0.28	0.76	-	-	-

Est. vol. total, Calls 17,223 Puts 43,337 . Previous day's open int., Calls 385,839 Puts 392,835.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.28	92.84	-0.44	93.33	92.82	132176	163034
Dec	92.35	92.19	-0.44	92.56	92.19	1122	14584

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
9250	1.01	0.97	1.20	1.38	0.67	1.29	1.51	1.69
9300	0.71	0.74	0.97	1.14	0.87	1.55	1.78	1.95
9350	0.48	0.55	0.76	0.93	1.14	1.86	2.07	2.24

Est. vol. total, Calls 16437 Puts 23105. Previous day's open int., Calls 261853 Puts 284152

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	98.01	-0.28	-	-	0	76

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	101.10	101.00	-0.25	101.78	100.66	49865	82305
Dec	100.00	98.75	-0.40	100.00	100.00	15	191

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
10100	1.61	2.33	1.61	3.58
10150	1.36	2.13	1.86	3.88
10200	1.14	1.94	2.14	4.19

Est. vol. total, Calls 3140 Puts 1525. Previous day's open int., Calls 37146 Puts 33508

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	90.00	89.85	-0.30	90.15	89.55	55,705	105,473
Dec		90.00	-	-	-	-	610

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	100-28	101-01	-0-03	101-28	100-08	88812	115251
Dec	100-24	100-11	+0-01	100-24	100-24	263	1408

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
101	1-36	2-36	1-34	3-14
102	1-06	2-09	2-04	3-51
103	0-46	1-49	2-44	4-27

Est. vol. total, Calls 6970 Puts 8292. Previous day's open int., Calls 72684 Puts 54520

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	84.68	84.48	-0.38	84.68	84.02	1,102	7,440
Dec	-	84.04	-0.36	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	102-08	102-06	-0-05	102-12	101-29	320,485	372,696
Dec	101-15	101-13	-0-05	101-17	101-04	4,894	60,062
Mar	100-26	100-20	-	100-26	100-20	32	4,291

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	109.15	-	-	109.36	109.15	2192	0
Dec	108.46	-	-	108.48	108.33	160	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thur Jul 28	Day's change %	Wed Jul 27	Accrued interest	xd adj. ytd		Low coupon yield Jul 28	Jul 27	Yr. ago	Medium coupon yield Jul 28	Jul 27	Yr. ago	High coupon yield Jul 28	Jul 27	Yr. ago
1 Up to 5 years (24)	120.58	-0.24	120.87	1.49	8.91	5 yrs	8.33	8.26	6.70	8.51	8.46	6.88	8.60	8.52	7.08
2 5-15 years (22)	139.26	-0.32	140.09	1.61	7.95	15 yrs	8.51	8.47	7.68	8.64	8.59	7.80	8.69	8.67	8.05
3 Over 15 years (9)	154.99	-0.13	155.20	1.33	8.11	20 yrs	8.47	8.43	7.83	8.64	8.59	7.88	8.74	8.72	8.08
4 Irredeemables (6)	177.64	-0.25	178.07	2.32	7.36	Irred.†	8.53	8.51	7.98						
5 All stocks (61)	136.83	-0.26	137.37	1.54	7.67										

Index-linked							Inflation 5% Jul 28	Jul 27	Yr. ago	Inflation 10% Jul 28	Jul 27	Yr. ago
6 Up to 5 years (2)	186.49	-0.28	187.02	1.62	2.53	Up to 5 yrs	3.96	3.73	2.79	2.79	2.66	2.00
7 Over 5 years (11)	170.35	-0.46	171.13	0.56	3.25	Over 5 yrs	3.94	3.91	3.41	3.75	3.72	3.23
8 All stocks (13)	171.14	-0.44	171.89	0.66	3.16							

Debentures and Loans						5 year yield Jul 28	Jul 27	Yr. ago	15 year yield Jul 28	Jul 27	Yr. ago	25 year yield Jul 28	Jul 27	Yr. ago
9 Debs & Loans (75)	128.67	+0.11	128.53	2.98	5.87	9.84	9.84	8.46	9.59	9.59	8.75	9.53	9.54	8.89

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	July 28	July 27	July 26	July 25	July 22	Yr ago	High*	Low*
Govt. Secs. (UK)	92.06	92.28	93.22	93.17	93.43	98.57	107.04	90.99
Fixed Interest	110.28	111.51	111.57	111.54	111.73	118.13	133.87	107.33

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	July 27	July 26	July 25	July 22	July 21
Gilt Edged bargains	107.5	73.2	89.5	90.9	114.5
5-day average	95.1	100.0	111.1	118.3	127.8

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on July 28

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	91⅛	91⅜		7.93
Alberta Province 7⅝ 96	1000	101	101⅜	-⅛	7.33
Austria 8½ 00	400	104¾	105⅛	-⅛	7.40
Bank of Tokyo 8⅛ 96	100	102⅜	103		6.79
Belgium 5½ 03	1000	84½	84¾	-⅛	7.92
BFCE 7¾ 97	150	101⅞	102⅜	-⅛	6.91
British Gas 0 21	1500	10½	10⅞	-⅛	8.62
Canada 9 98	1000	103¾	104⅛	-⅛	8.38
Cheung Kong Fin 5½ 98	500	90	90⅝		8.43
China 6½ 04	1000	87¼	87¾		8.65
Council Europe 8 98	100	102½	102⅞		6.63
Credit Foncier 9½ 99	300	108⅛	108½		7.32
Denmark 5¾ 98	1000	95⅞	96⅝		6.91
East Japan Railway 6⅝ 04	600	91	91⅜	-¼	7.99
ECSC 8¾ 96	193	103	103½		6.78
EEC 8¼ 96	100	102⅞	103¼	-⅛	6.57
EIB 7¾ 98	250	102⅛	102⅝	-⅛	6.65
EIB 9¼ 97	1000	108½	108⅞	-⅛	6.95
Elec de France 9 98	200	105⅜	105⅞	-⅛	7.24
Eurofima 9¼ 98	100	104	104½	-⅛	8.53
Ex-Im Bank Japan 8 02	500	101⅝	102	-⅛	7.71
Export Dev Corp 9½ 98	150	107½	107⅞		7.25
Federal Natl Mort 7.40 04	1500	98⅝	98⅞		7.74
Finland 6¾ 97	3000	99¼	99½	-⅛	7.13
Finnish Export 9⅞ 95	200	103½	103⅞		6.32
Ford Motor Credit 6¼ 98	1500	96⅞	97¼		7.38
Gen Elec Capital 9⅞ 98	300	104⅝	105		6.63
GMAC 9⅛ 96	200	103⅛	103⅝	-⅛	6.96
Ind Bk Japan Fin 7⅞ 97	200	101½	102⅛		7.22
Inter Amer Dev 7⅜ 96	200	101⅞	102¼	-⅛	6.89
Italy 6⅞ 23	3500	81⅝	82		8.79
Japan Dev Bk 8⅜ 01	500	103⅞	104¼	-⅛	7.59
Kansai Elec Pwr 10 98	350	105⅛	105½	-⅛	6.62
Korea Elec Power 6⅜ 03	1350	85¾	86½	-⅛	8.81
LTCS Fin 8 97	200	101½	102¼	-⅛	7.26
Matsushita Elec 7¼ 02	1000	96¾	97⅛	-⅛	7.96
Norway 7¼ 97	1000	101	101¼	-⅛	6.81
Ontario 7⅜ 03	3000	96¾	97⅛	-¼	8.06
Oster Kontrollbank 8½ 01	200	104½	104⅞	-⅛	7.59
Petro-Canada 7¼ 96	200	101	101⅜		6.62
Portugal 5¾ 03	1000	86	86¼	-⅛	8.08
Quebec Hydro 9¾ 98	150	107¼	107⅝	-⅛	7.67
Quebec Prov 9 98	200	104½	105	+⅛	7.54
Sainsbury 9¼ 98	150	104⅛	104⅝	-⅛	6.99
SAS 10 99	200	106⅜	107⅛	+⅛	8.25
SNCF 9½ 98	150	107⅝	108		7.22
Spain 6½ 99	1500	96¼	96½	-⅛	7.39
State Bk NSW 8½ 96	200	103	103⅜	+⅛	6.77
Sweden 5½ 95	2500	99⅛	99⅜		6.17
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
United Kingdom 7¼ 97	5500	102⅝	102¾	-⅛	6.19
Volkswagen Intl Fin 7 03	1000	97½	97⅞	-⅛	7.39
World Bank 0 15	2000	22¾	23¼	+¼	7.17
World Bank 5⅜ 03	3000	91⅞	92	-⅛	7.09
World Bank 8¾ 00	1250	111½	111⅞	-¼	6.28
SWISS FRANC STRAIGHTS					
Asian Dev Bank 6 10	100	102¼	102¾	-¼	5.78
Austria 4½ 00	1000	98⅛	98¼		4.89
Council Europe 4¾ 98	250	99¾	100	-¼	4.82
Denmark 4¼ 99	1000	97¼	97½		4.86
EIB 6¾ 04	300	107	108	-½	5.82
Elec de France 7¼ 06	100	109½	110½		6.07
Finland 7¼ 99	300	108	108¼	+¼	5.43
Hyundai Motor Fin 8½ 97	100	106	107		6.31
Iceland 7⅞ 00	100	108¼	108⅜		5.85
Kobe 6¾ 01	240	105½	105¾	+½	5.41
Ontario 6¼ 03	400	102⅝	103	-⅜	5.84
Quebec Hydro 5 08	100	90	91		6.10
SNCF 7 04	450	110½	111¼	-¼	5.62
World Bank 5 03	150	99	99½		5.14
World Bank 7 01	600	108½	109	-¼	5.43
YEN STRAIGHTS					
Belgium 5 99	75000	103⅝	103⅞		4.23
EIB 6⅝ 00	100000	111⅛	111⅜		4.35
Finland 6¾ 98	50000	108	108¼		2.97
Inter Amer Dev 7¼ 00	30000	114⅝	114⅞		4.34
Italy 3½ 01	300000	92⅞	93	-⅛	4.78
Japan Dev Bk 5 99	100000	104⅛	104¼		4.10
Japan Dev Bk 6½ 01	120000	111⅜	111⅞	-⅛	4.53
Nippon Tel Tel 5⅞ 98	50000	105¾	106		3.08
Norway 5⅜ 97	150000	104¾	105		3.39
SNCF 6¾ 00	30000	111⅝	111⅞		4.36
Spain 5¾ 02	125000	106¾	106⅞	-⅛	4.69
Sweden 4⅝ 98	150000	102⅜	102⅝		3.89
World Bank 5¼ 02	250000	104½	104⅝		4.59
OTHER STRAIGHTS					
Genfinance Lux 9¼ 99 LFr	1000	106¾	107¾		7.36
IKB Deut Industrie 9½ 03 LFr	3000	102¼	103¼		8.11
World Bank 8 96 LFr	1000	101	102		7.33
Bank Voor Ned Gem 7⅝ 02 Fl	1000	100½	101		7.53
Energie Beheer 8⅜ 98 Fl	500				
Alberta Province 10⅝ 99 C$	500	102⅝	103		8.66
Bell Canada 10⅝ 99 C$	150	103	103⅝	-⅛	9.83
British Columbia 10 96 C$	500	101⅞	102⅜		8.82
EIB 10⅛ 98 C$	130	104¼	105⅛	+¼	8.67
Elec de France 9¾ 99 C$	275	101⅛	101¾	-¼	9.45
Gen Elec Capital 10 96 C$	300	101⅞	102⅜		8.84
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
Abbey Natl Treasury 8 03 £	1000	92¼	92⅝	-⅛	9.33
Alliance Leics 11⅜ 97 £	100	107⅝	108	-⅛	8.16
British Land 8⅞ 23 £	150	87⅞	88⅜	-¼	10.44
Denmark 6¾ 98 £	800	94⅛	94⅝	-⅛	8.43
EIB 10 97 £	637	104⅝	105	-⅛	7.86
Halifax 10⅜ 97 £	100	105¼	105¾	-⅛	8.01
Hanson 10⅜ 97 £	500	104¾	105¼	-⅛	8.60
HSBC Holdings 11.69 02 £	153	110	110½		9.83
Italy 10½ 14 £	400	107⅝	108	-¼	9.61
Japan Dev Bk 7 00 £	200	92⅛	92½	-¼	8.68
Land Secs 9½ 07 £	200	98¼	98¾	-⅛	9.73
Ontario 11¾ 01 £	100	108¾	109¼	-¼	9.33
Powergen 8⅞ 03 £	250	96⅞	97¼	-⅛	9.40
Severn Trent 11½ 99 £	150	109⅛	109⅞	-⅛	9.06
Tokyo Elec Power 11 01 £	150	108¾	109⅛	-⅛	9.21
Abbey National 0 98 NZ$	100	83	84		8.81
TCNZ Fin 9¼ 02 NZ$	75	100⅞	101⅞	-¼	9.09
Credit Local 6 01 FFr	7000	92⅜	92⅝	-⅛	7.38
Elec de France 8¾ 22 FFr	3000	105¼	105⅝	-½	8.17
SNCF 9¼ 97 FFr	4000	106	106⅜		6.73

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
Abbey Natl Treasury -1/16 99	1000	99.23	99.34	4.5000
Banco Roma 0 99	200	99.61	99.96	4.7812
Belgium 1/16 97 DM	500	100.11	100.21	5.6750
BFCE -0.02 98	350	99.72	99.86	4.7300
Britannia 0.10 98 £	150	99.92	100.02	5.4125
Canada -⅛ 99	2000	99.19	99.26	4.3125
CCCE 0 06 Ecu	200	98.93	99.19	6.0156
Credit Lyonnais 1/16 00	300	97.57	98.08	5.3125
Denmark -⅛ 96	1000	99.47	99.57	3.7500
Dresdner Finance 1/16 98 DM	1000	99.94	100.04	5.0938
Ferro del Stat 0.10 97	420	100.00	100.19	4.6000
Finland 0 97	1000	99.94	100.04	5.3750
Ireland 0 98	300	99.61	99.75	4.8800
Italy ¼ 98	2000	100.24	100.31	5.0000
LKB Baden-Wuert Fin -⅛ 98	1000	99.40	99.50	4.5625
Lloyds Bank Perp S 0.10	600	83.13	84.13	4.1000
Malaysia 1/16 05	650	99.38	99.68	5.2500
New Zealand -⅛ 99	1000	99.58	99.68	4.6125
Ontario 0 99	2000	99.36	99.44	4.8125
Renfe 0 98	500	99.36	99.53	5.1250
Societe Generale 0 96	300	99.44	99.57	4.0312
Staatsbank Berlin -0.05 98 DM	5000	99.97	100.02	4.9500
State Bk Victoria 0.05 99	125	99.68	99.85	5.1125
Sweden 0 98	1500	99.95	100.02	4.6250
Sweden -⅛ 01	2000	98.87	98.94	4.4375
United Kingdom -⅛ 96	4000	99.78	99.83	4.5000
[illegible]				

[illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
Shorts" (Lives up to Five Years)						
Exch 12½pc 1994	12.42	4.91	100 5/16xd	—	104 11/32	100 3/16
Treas 9pc 1994‡‡	8.90	5.44	101 3/16	—	103 13/32	101 3/32
12pc 1995	11.64	5.51	103 3/32	-1/32	107 5/32	103 3/32
Exch 3pc Gas 90-95	3.05	5.21	98 13/32	+1/32	99 3/32	97¾
10¼pc 1995	9.86	6.04	104	-1/32	107 13/32	104
Treas 12¾pc 1995‡‡	11.83	6.38	107 13/32	-1/32	113⅝	107 13/32
14pc 1996	12.72	6.74	110 1/16	-1/32	117 1/16	110 1/16
15¼pc 1996‡‡	13.46	7.05	113 3/32	-1/32	121 13/32	113 3/32
Exch 13¼pc 1996‡‡	12.02	7.07	110⅛	-1/32	117 13/32	110¼
Conversion 10pc 1996	9.50	7.42	105 1/16	-1/32	112 1/16	105 1/16
Treas Cnv 7pc 1997‡‡	7.10	7.51	98 13/16xd	-1/32	100⅝	98 1/16
Treas 13¼pc 1997‡‡	11.77	7.58	112 13/16	-1/32	121 13/16	112 13/16
Exch 10½pc 1997	9.86	7.69	106½xd	-1/32	114 1/32	106 13/32
Treas 8¾pc 1997‡‡	8.55	7.90	102 13/16xd	-1/32	110 1/16	101 13/32
Exch 15pc 1997	12.54	8.02	119⅝	-1/32	131 13/32	119 13/32
9¾pc 1998	9.31	8.15	104¾	-1/32	114 13/32	104 1/16
Treas 7¼pc 1998‡‡	7.45	8.12	97 1/16	-1/32	108 1/32	95⅞
Treas 6¾pc 1995-98‡‡	7.08	8.15	95 3/32	-1/32	102	94 13/32
14pc '98-1	11.86	8.39	118	-1/32	131 1/32	117⅝
Treas 15½pc '98‡‡	12.37	8.21	125⅜	-1/32	140 1/16	124 13/32
Exch 12pc 1998	10.64	8.39	112 13/16	-1/16	125 13/32	112 1/16
Treas 9½pc 1999‡‡	9.12	8.36	104 3/16	-¼	115 3/32	103 3/32
Five to Fifteen Years						
Exch 12¼pc 1999	10.73	8.50	114 3/16	-⅛	128 1/16	113⅛
Treas 10½pc 1999	9.74	8.47	107 13/16	-⅛	121 1/16	106⅞
Treas 6pc 1999‡‡	6.61	8.27	90 13/16xd	-⅛	101 13/16	89 13/16
Conversion 10¼pc 1999	9.57	8.56	107 1/16	-⅛	121 13/16	105⅞
Treas Flg Rate '99	-	-	99 13/16	-	100 1/16	99 13/16
9pc 2000‡‡	8.82	8.54	102 1/16xd	-⅛	116 1/16	101⅛
Treas 13pc 2000	10.87	8.72	119 13/16	-⅛	130 13/16	118 3/16
10pc 2001	9.41	8.73	106¼xd	-⅛	122 1/16	104 3/16
7pc '01 ‡‡	7.63	8.64	91 13/16	-⅛	106 1/16	90 3/16
7pc '01 A	7.64	8.57	91 13/16	-⅛	101 1/16	89 13/16
9¾pc 2002	9.23	8.77	105 13/16xd	-⅛	123 1/16	103⅝
8pc 2002‡‡	8.34	8.68	95 13/16	-⅛	113 13/16	94 3/16
10pc 2003	9.29	8.78	107 13/16	-⅛	127 1/16	105 13/16

Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
Treas 11½pc 2001-4	10.22	9.04	112 13/16	+1/16	128 13/16	110⅞
Funding 3½pc '99-4	4.77	7.43	73 1/16	-1/16	86 3/16	71 1/16
Conversion 9½pc 2004	9.03	8.71	105 3/16	-13/16	125 3/16	103
Treas 6¾pc 2004‡‡	7.70	8.55	87 13/16	-⅛	105¼	85 13/16
Conv 9½pc 2005	9.00	8.68	105 13/16	-1/16	125½	103⅝
Treas 12½pc 2003-5	10.30	9.03	121 13/16	-13/16	143 1/16	119 3/16
7¾pc 2006‡‡	8.31	8.63	93 3/16	-13/16	112 13/16	91½
8pc 2002-6‡‡	8.48	8.74	94 13/16	-1 1/16	111⅛	93⅛
Treas 11¾pc 2003-7	10.15	9.04	115¾	-13/16	136 1/16	113¾
Treas 8½pc 2007 ‡‡	8.60	8.64	98 13/16	-⅛	119 3/16	96 13/16
13½pc '04-8	10.63	9.03	128 1/16	-½	151 3/16	125¾
Treas 9pc 2008 ‡‡	8.74	8.62	102 13/16	-⅛	124 13/16	101
Over Fifteen Years						
Treas 8pc 2009	8.45	8.61	94 13/16	-1 1/16	115 1/16	93
Treas 6 1/4pc 2010	7.76	8.46	80⅞	-1/16	98 3/16	78 3/16
Conv 9pc Ln 2011 ‡‡	8.68	8.57	103 13/16	-1/16	126 13/16	101 1/16
Treas 9pc 2012‡‡	8.65	8.55	104 1/16xd	-1/16	127⅛	101 3/16
Treas 5½pc 2008-12‡‡	7.38	8.29	74 13/16	-13/16	93⅞	72 1/16
Treas 8pc 2013‡‡	8.40	8.50	95¼	+⅛	117 13/16	92 3/16
7¾pc 2012-15‡‡	8.33	8.47	93	-13/16	114¾	91 3/16
Treas 8¾pc 2017‡‡	8.52	8.47	102¾xd	-1/16	128¼	99 13/16
Exch 12pc '13-'17	9.19	8.70	130 1/16	—	159½	127⅞
Undated						
Consols 4pc	8.60	-	45 1/16xd	-1 1/16	59¾	44 13/16
War Loan 3½pc‡‡	8.45	-	41 1/16	-1/16	54 13/16	39 13/16
Conv 3½pc '61 Aft	8.09	-	57½	-⅛	71	55¾
Treas 3pc '66 Aft	8.35	-	35 1/16	—	44⅝	33⅝
Consols 2½pc	8.45	-	29 13/16	-1/16	38½	28 1/16
Treas. 2½pc	8.71	-	28 13/16	-13/16	37⅞	27 13/16

Notes		(1)	(2)	Price £	+ or -	1994 High	1994 Low
Index-Linked	(b)						
2pc '96	(67.9)	2.71	3.95	199¼	-½	203¾	197 13/16
4⅝pc '98‡‡	(135.6)	2.89	3.87	107¼	-⅛	113 3/16	106 3/16
2½pc '01	(78.3)	3.49	3.91	164	-13/16	176¾	163¾
2½pc '03	(78.8)	3.59	3.92	160⅞	-⅛	173¾	159 3/16
4⅜pc '04‡‡	(135.6)	3.60	3.92	107 13/16	-⅛	118¾	107¼
2pc '06	(69.5)	3.62	3.88	166⅞	-⅛	184 13/16	165 3/16
2½pc '09	(78.8)	3.72	3.93	150 1/16	-13/16	168 3/16	149⅞
2½pc '11	(74.6)	3.74	3.94	155xd	-13/16	175⅝	154⅛
2½pc '13	(89.2)	3.76	3.94	127½xd	-½	148¾	126⅞
2½pc '16	(81.6)	3.79	3.96	135 3/16	-13/16	157 3/16	134⅞
2½pc '20	(83.0)	3.81	3.98	129 13/16	-13/16	152 13/16	128½
2½pc '24‡‡	(97.7)	3.80	3.98	107 13/16	-13/16	129 1/16	106¾
4⅛pc '30‡‡	(135.1)	3.82	3.96	107 3/16	-13/16	128 13/16	105⅞

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for November 1993: 141.6 and for June 1994: 144.7.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
African Dev 11¼ 2010	9.38	8.87	118 3/16	-1 3/16	142 3/16	115 13/16
Asian Dev 10¼pc 2009	9.23	8.87	111 1/16	-1½	138⅜	108 13/16
B'ham 11½pc 2012	9.54	9.06	120½	—	142	115
Ireland Cap 8½pc '10	8.50	-	100	-1	116½	95½
9pc Cap 1996	8.83	-	101⅞	-⅛	103½	100
13pc '97-2	11.78	-	110½	-½	115⅝	108¼
Hydro Quebec 15pc 2011	10.51	9.77	142 13/16	-1 1/16	169 13/16	138 13/16
Leeds 13½pc 2006	10.40	-	129¾	—	149¾	125½
Liverpool 3½pc Irred	9.33	-	37½	—	44¼	33¾
LCC 3pc '20 Aft	9.09	-	33	—	40½	29¼
Manchester 11½pc 2007	9.85	9.27	118¾	—	136¼	112
Met. Wtr. 3pc 'B'	4.29	7.89	70	—	78	68½
N'wide Anglia 3¾pc 2021	-	4.49	132½	—	150¾	129⅝
4⅛pc IL 2024	-	4.45	127½	—	145⅜	123⅞
Utd Mex States 16½pc 2008	12.04	-	137	—	159½	136

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

COMPANY NEWS: UK

Fall should pave way for signing of agreement with MGN

Independent to cut cover price

By Raymond Snoddy

The Independent newspaper has decided to cut its cover price and the reduction is expected as early as Monday.

The response to the national newspaper price war is one of a number of editorial and business decisions that should pave the way to the signing of a formal agreement between Mirror Group Newspapers and the consortium that owns The Independent group.

The agreement under which MGN, a minority shareholder in Newspaper Publishing, owners of The Independent and The Independent on Sunday, will run all aspects of the business apart from editorial has yet to be signed. The plan was first announced in March but it has been considered impossible to complete the deal until a new editor was appointed and a number of editorial decisions had been taken.

Mr Ian Hargreaves, deputy editor of The Financial Times, this week accepted the editorship. Mr Andreas Whittam Smith, the main founder of the paper, will give up the editorship this week when he goes on holiday. Mr Ian Jack, editor of The Independent on Sunday, will be acting editor until Mr Hargreaves arrives in the middle of next month.

MGN was believed to be wary about signing the agreement before an editor was in place because there are financial penalties if the company fails to reach agreed targets. Apart from the issue of cover price – The Times is now selling at 20p and the Daily Telegraph at 30p during the week – the issues include the number of newspaper sections on offer and their format.

Having taken the decision on Wednesday to cut the price of the paper, shareholders will decide on Sunday how much the cover price will be reduced from its current 50p. The paper will remain a premium product aimed at the top end of the market but the price will come down at least to 45p, to match The Guardian, or possibly 40p.

The formal agreement between MGN and the other main shareholders – El Pais of Spain, La Repubblica of Italy and Mr Tony O'Reilly's Irish Independent group – may be signed within a matter of weeks.

Planning is going ahead as if the agreement is already in place and the editorial staff of The Independent and its Sunday sister title are expected to move to their new offices alongside MGN in Canary Wharf in London's Docklands in November.

Meanwhile Mr Sergio Cellini, who became an executive director of The Independent earlier this year, has been appointed managing director of Newspaper Publishing.

Wet winter holds Motor World back

By Andrew Bolger

An exceptionally wet winter with minimal frost held back progress by Motor World, the car parts and accessories retailer which came to the market in February last year.

Pre-tax profits advanced by 20 per cent to £1.76m in the six months to May 1, but the figures were flattered by lower interest payments. The underlying increase was 5 per cent.

Turnover rose 15 per cent to £21.5m, with growth reflecting new additions to the chain, which increased from 203 to 217 outlets during the period. A further 25 branches have been opened since the beginning of May, bringing the total to 242.

Mr Darrell Kershaw, managing director, said motorists were less likely to work on their cars in wet weather, and the virtual absence of frost removed the usual seasonal boost to sales of batteries and anti-freeze.

However, demand across the group had been improving since Easter and he expected to see second half results benefit from the recent wave of openings.

The Bradford-based group is mainly represented in the north of England, Wales and the Midlands. However, it has recently moved into the south-west and has just opened a branch in Welwyn Garden City, north of London.

It has also bought an eight-branch chain in the Irish Republic, where it is expected that an MOT test will shortly be introduced.

The manufacturing, packaging and distribution division, which accounts for about 30 per cent of sales, had performed well on the back of an expanding customer base and increased sales to continental Europe.

Earnings per share rose to 8.7p against a pre-forma 8.1p. The interim dividend is lifted to 2.5p (2.3p).

Mixed fortunes for market hopefuls

By David Wighton

Magnum Power, the Scottish electronics company, yesterday announced a successful placing of £4.5m of shares, valuing it at £14.6m ahead of its flotation on the USM.

But, Aromascan, the other start-up business currently on its way to the stock market, has been forced to put back its plans by a week.

One of the company's advisers blamed the rail strike, which had prevented it seeing some key institutions. NM Rothschild, which is sponsoring the £12m placing, has put back the impact day until next Tuesday.

Magnum, which was formed in 1990, has designed a built-in uninterruptible power supply for personal computers, which is claimed to be half the price of existing external products.

It claims that no other uninterruptible power supply can currently be built into standard personal computers while meeting the technical standards demanded by most original equipment manufacturers.

It lost £1.23m on turnover of only £59,000 in the year to May, but in the prospectus the directors state that they believe the company will reach the break-even point of 6,000 units a month by December 1995.

None of the existing shareholders have sold stock, and have undertaken not to sell their existing holdings for at least two years after flotation. The placing is sponsored by Henry Cooke.

Start-up businesses can apply for a quotation on the USM if they can demonstrate that they will generate significant revenues with 12 months of admission.

Aromascan, which has developed a new technology for detecting odours, is looking to raise £12m from a placing which would value the group at between £35m and £40m.

The money will be used for further development and the building of a manufacturing plant. The pathfinder prospectus projects first profits of £4m in 1997.

Medeva loses patent case in European court

By Tim Burt

Medeva, the rapidly expanding pharmaceuticals company, yesterday suffered a setback in its development programme after the European Patent Office upheld claims that it had infringed patents owned by Biogen, its US rival.

The UK group said it was dismayed by the ruling, made at an appeal hearing, which could prevent it developing a Hepatitis B vaccine.

The vaccine, which has been at the centre of a legal battle between the companies for two years, was regarded as one of Medeva's best prospects for growth in the late 1990s.

Industry analysts estimated 1995 sales for the vaccine at £30m with the worldwide market worth more than £200m.

Biogen said it was extremely pleased by the ruling. But Mr Bill Bogie, Medeva's chief executive, described it as "a surprise and disappointment".

News of the appeal, however, came after the market closed and Medeva's shares were unchanged yesterday at 134p.

It overturned a previous ruling in favour of Medeva, and means the company will have persuade courts in any country where it wants to sell the vaccine to revoke the Biogen-held patents.

The company is already seeking such a ruling in London, where the Appeal Court is re-examining the High Court's decision last year that Medeva's activities had infringed the US group's patents.

That ruling, expected in September, is likely to determine whether Medeva will take similar action in countries such as France and Germany. Mr Bogie said the company would still develop the vaccine for use in east Asia and in European countries where the Biogen patents do not apply.

"This is a setback. But the Hepatitis B project is one element in our broader business portfolio. Although it has great potential it is not critical to our future success."

Emphasising the group's determination to develop the vaccine, he predicted that it would continue to represent a large part of Medeva's research and development budget.

Further development of the drug may be hampered by threatened legal action by the two Swiss companies that sold Medeva the part-developed vaccine for £9.3m two years ago.

Epitec and GA Investments received a £3.86m down payment, with the balance due when development was completed and the product registered in European countries.

Earlier this year Medeva was warned of possible legal action after the completion date for development of the vaccine was put back to 1995 – delaying payments to the Swiss groups.

Improved trading behind 46% advance to £3.2m at Admiral

By Alan Cane

Improved trading conditions and continued emphasis on careful management helped Admiral, the Surrey-based computing services company, lift pre-tax profits by 46 per cent from £2.19m to £3.2m in the six months to June 30.

Shares rose 30p to a new high of 610p. Turnover was 39 per cent higher at £24.6m (£17.7m). Earnings per share improved by the same percentage to 18.5p (13.3p) and the interim dividend goes up 25 per cent to 2.5p.

The group, which specialises in consultancy, training and software, has consistently improved sales and profits through the recession and continues to recruit steadily. Staff numbers total 854, 30 per cent higher than last year.

Cash amounted to £3.9m, down from £5.5m 12 months earlier because of acquisitions, including The Training Centre, purchased in February to strengthen computer training operations, and Sumlock Legal and products from Hay Logic, which together formed a new company, Admiral Legal Systems. Stripping out the contribution from purchases, turnover jumped 30 per cent and operating profits 40 per cent.

Mr Clay Brendish, co-founder and chairman, attributed the performance to a strong and continuing relationship with existing customers. The Singapore and Australian subsidiaries were on their way to achieving critical mass and the company was seeking to expand through acquisition in mainland Europe.

He added: "The second half has started well for all our operating companies. The signs are that the economy will continue to strengthen".

Admiral tends to perform uniformly across the year, suggesting full year pre-tax profits could approach £6.5m.

National Express to run service in Poland

By Christopher Bobinski in Warsaw

National Express Group, the UK's largest inter-city coach company, is to start an inter-city passenger service in Poland next month, becoming the first foreign carrier to do so.

The initial investment, of £2.3m, is comprised of 21 second-hand coaches brought from the Netherlands. Six routes are to be served in the initial phase with Warsaw acting as a hub.

National Express already runs an international service to Poland through its Eurolines subsidiary and recently the UK company purchased Fregata, a Polish emigré-owned, London-based tourist operator with more than 30 years of experience in the Polish market.

Polski Express, National's wholly owned local subsidiary, will be working with PKS, the Polish state-owned bus company which will be providing drivers and maintenance facilities as well as selling tickets.

PKS remains Poland's largest inter-city coach carrier with small private companies operating urban and short-range routes. The market is shrinking, though, as car ownership grows and ticket prices rise. Last year, 1.4bn passengers travelled on inter-city coaches compared with 2.1bn in 1990.

Mystery surrounds Caparo 'US purchase'

By Andrew Baxter

Mystery last night surrounded an announcement by Mr Swraj Paul, the Anglo-Indian businessman, that his privately-held Caparo steel and engineering group had made its biggest acquisition ever by acquiring "a $400m US steel firm".

Mr Paul told Reuter in New Delhi that a deal to acquire the un-named Pittsburgh-based company was signed early yesterday.

Officials at Caparo's London headquarters were trying to contact Mr Paul yesterday for further clarification, after he had faxed them a message saying a letter of intent had been signed to buy "a major American steel plant".

The announcement caused confusion among steel industry observers. Caparo is known to be interested in buying Sharon Steel, an integrated producer which is in Chapter 11 bankruptcy proceedings.

But that company is based in Sharon, Pennsylvania rather than Pittsburgh. And the plant which Caparo said it has bought makes 1.2m tonnes of hot-rolled coils, 60,000 tonnes of cold-rolled coils and 90,000 tonnes of galvanised sheets, which one analyst said did not sound like Sharon.

It is assumed that the $400m (£258m) in Mr Paul's announcement refers to the revenues of the company rather than the transaction price.

Caparo has already expanded in the US. Its North American sales were £111m last year out of a total of £360m following the acquisitions of Bull Moose Tube in 1988 and Bock Industries in 1990.

Caparo is thought to be the front-runner in the bidding for Sharon, although a Dutch-backed group is also said to have made a cash bid.

Japanese venture behind 88% advance at Unitech

By Tim Burt

Shares in Unitech rose 20p to 343p yesterday after the international electronic components and controls group announced an 88 per cent increase in full-year profits.

Pre-tax profits climbed to £19.8m (£10.5m) after increased demand, particularly in east Asia, pushed sales ahead 20 per cent to £302.3m (£253m) in the year to May 31.

Although favourable exchange rates flattered the results by adding £29.4m to group turnover and £2.3m to profits, operating profits rose from £13.7m to £24.4m.

The improved performance was underpinned by sharply increased profits at Nemic-Lambda, the group's 50.6 per cent-owned Japanese subsidiary, which contributed £12.3m (£3.6m) to the power supplies division.

Buoyant demand for power conversion equipment helped the division, Unitech's largest, more than double its profits to £20m (£9.94m) on increased sales of £205.4m (£164.9m).

Mr Peter Curry, chairman, said: "This success has been driven by Japan. The challenge now is to repeat that with our other divisions."

The group has embarked on a strategy to increase international sales by its two smaller businesses: connectors, which manufactures electronic testing equipment; and control products, the heating and ventilating component company.

Mr Curry said such moves, including joint ventures in Japan and China, would offset flat trading conditions in continental Europe, where profits fell from £2.6m to £927,000.

The main victim was the connectors business – based in France – which reported a £539,000 loss compared with a £1.02m profit last time.

Cost cuts, however, had led to improved efficiency in recent months, and Mr Curry said the business was now trading profitably.

The control products division, meanwhile, benefited from steady growth in the UK and saw profits increase from £2.95m to £4.8m on turnover of £51.9m (£38.9m).

Earnings per share rose from 7.3p to 12.9p, and a final dividend of 4.32p (4p) makes a total for the year of 6.56p (6.1p).

Tony Andrews

Peter Curry: further moves in Japan and China planned

● COMMENT

This set of results had analysts searching for superlatives. Verdicts ranged from "extraordinary" to "excellent" after the figures exceeded most forecasts for the current year. With no sign of the yen weakening or a reversal in east Asian demand, this year's profit forecasts have been increased on average by a third to about £28m. The challenge for Unitech is to unlock shareholder value from its stake in Nemic-Lambda, which is valued at £424m. If it achieves that and also manages to exploit signs of an upturn in Europe, the shares could prove an attractive prospect, despite their premium on a forward multiple of 18.4.

International competition cuts Telecom Eireann to I£173m

By John McManus in Dublin

Operating profits at Telecom Eireann, the Irish state-owned telecommunications company, fell 12 per cent to I£173m (£171m) in the year ended March.

The company blamed the fall on tighter margins after the introduction of more competitive charges last autumn, following the opening up of its international monopoly to competitors, including British Telecommunications.

The board said yesterday it would report to the government in October on its strategic objectives and the possibility of an alliance with an international telecommunications company.

Mr Ron Bolger, chairman, refused to confirm whether Cable and Wireless, which is reported to have bid £460m for a 40 per cent share of Telecom Eireann's main operations, would make the short list.

He said the board would draw up the list of possible partners over the next month, but declined to give details of the type of link-ups that were being proposed. There is strong opposition even to partial privatisation from Telecom Eireann unions and parts of the Labour element of Ireland's coalition government.

Total turnover was up 7 per cent to I£871m, due mostly to increased contributions from subsidiaries and joint ventures. But telephone revenues were static at I£500m, despite the new tariff structure which has cut costs for business users at the expense of domestic customers.

Pre-tax profits were I£81m (I£50m). The previous year Telecom Eireann had to write off I£44m to reflect the impact of the devaluation of the punt on its almost I£1bn of debt.

"Debt reduction is of paramount importance to the company's future," said Mr Bolger. He said debt would be an issue in any possible alliance and that some may have to be transferred directly to the government's books.

Glaxo makes a further biotechnology link-up in US

By Daniel Green

Glaxo, the drugs group, yesterday announced its 13th collaborative deal with a biotechnology company.

Its latest partner is Sequana Therapeutics of La Jolla, California.

The two companies will work in the genetics of diabetes field; it is unlikely to lead to any products until the next decade.

The deal comes only five weeks after Glaxo signed its last biotechnology collaboration, also genetics, with Spectra Biomedical, the northern California migraine specialist.

Under the latest deal, Glaxo gains exclusive rights to develop and market drugs, while Sequana keeps the rights to any diagnostics products that might emerge.

Glaxo will pay an up-front fee to Sequana and further cash payments as research progresses.

It will also offer research support.

Emerging Markets trust ends first day at premium

By Bethan Hutton

Trading started yesterday in shares of Emerging Markets Country Investment Trust, which was created through the conversion of units in the emerging markets unit trust run by City of London investment management.

The shares ended the day at 58p, a premium of 6.7 per cent to undiluted net asset value. The warrants closed at 34p.

Unit holders elected to convert more than 50m units into new packages of ordinary shares and warrants in the investment trust, at a subscription price of 53p per ordinary share, with one warrant attached to every five shares.

The shares have an undiluted net asset value of 54.36p, and the new trust has a net asset value of £27.3m.

Olliff & Partners, sponsor of the trust, is planning to raise up to £24m through a placing in September.

The existing unit trust will continue to operate in parallel with the investment trust.

Two life companies buck UK sector trend

By Alison Smith

Two life companies have announced increases in UK new business for the first half of this year, in contrast to the trend for the sector as a whole.

Equitable Life said that its total new premium income for the six months to end-June was £746.9m – an increase of 12 per cent on the same period last year. There was only a slight increase in new annual premiums, from £186.4m to £186.7m, but new single premiums rose more sharply, to £560.2m (£478.3m).

Within new annual premium business, the greatest percentage increase in annual premium income was in individual pensions for directors and executives which rose to £25.9m (£22.8m).

New single premium business saw a steep increase in individual pensions, from £116.1m in the first half of 1993 to £164.1m.

AXA Equity & Law said yesterday that its UK new business increased by 5 per cent to £295m for the first half of 1994, while total new business amounted to £421m – an increase of 10 per cent on the first six months of last year.

Overseas business rose by 24 per cent to £126m.

The UK new business increase comes in spite of a 24 per cent drop in single premium pensions business, which fell to £55m.

Restructuring sets Prior on recovery path

By Peter Franklin

Benefits of the restructuring over the past two years have begun to show through at Prior, the property group and architectural ironmonger.

The company yesterday reported an advance in pre-tax profits from £347,000 to £1.95m for the year to March 31, bolstered by a credit of £2.05m after costs in respect of the release of bank indebtedness.

Mr James Prior, chairman, said the year under review had been one of transformation for the company.

This, he said, was not only the result of the successful completion of negotiations with the company's banks in 1993, but also of two share issues within the past year which had raised a total of £6.89m.

The funds raised had enabled Prior to eliminate debt and release it from any remaining liability in respect of the four subsidiaries in administrative receivership. In addition, they provided partial funding for the purchase of Bouverie House and a portfolio of properties from Hanson.

Following the purchases, net assets amounted to £9.3m, Mr Prior said. The group now had £3m on deposit to fund further acquisitions, an annual rent roll in excess of £2m, and potential tax losses to offset against future profits, he added.

Turnover fell from £1.21m to £1.2m and earnings came out at 1.23p (0.61p) per share.

Jermyn Inv raises £13m for expansion

Jermyn Investment, the property investor, is raising £12.8m net in a placing and open offer and acquiring three freehold properties for a total of £2.05m cash.

It is also proposing to change the rights of preference shareholders to encourage them to convert their holdings into ordinary shares or to redeem them early.

Jermyn is placing 8.3m shares at 160p with a 5-for-2 clawback. The shares were unchanged at 175p.

The company is proposing that the preference conversion rights be improved from their present 1-for-1 basis to 1-for 1.32, exercisable at any time.

On converting their holdings, shareholders will receive payment of arrears of preference dividend to the date of conversion.

Following the changes Jermyn will have net cash of £4.2m and pro forma net assets of about £18m.

Provision lifts Pex losses to £2.17m

By Heather Davidson

Pex, the hosiery manufacturer and distributor, announced a pre-tax loss of £2.17m for the year to January 31 after a provision of £900,000 for stock and ongoing costs of former retail properties.

In the previous year there was a profit of £393,000 after a surplus on restructuring of £1.3m.

The company also announced the appointment of Mr John Carr as deputy chairman and chief executive.

Turnover was down 14 per cent to £12.4m (£14.5m) following the company's repositioning at the upper end of the market and loss of sales at the lower end.

Mr Peter Bailey, chairman, said that after many years of struggle "we can see a way back to profitability".

Losses per share for the year were 11.35p, compared with earnings of 3.13p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Admiral	int	2.5	Oct 7	2	-	6.3
Ayrshire Metal	int	1.25	Oct 3	nil	-	1.5
Banks (Sidney C)	fin	6.25	Oct 7	6	9.75	9
Chieftain §	int	1.5	Oct 3	1.5	-	3.5
Contra-Cyclical	int	2.25	Aug 31	2.25	-	8.5
Derby Trust	int	7.102	Aug 31	6.2883	-	17.95
Fleming Fledge	int	1	Sept 23	1	-	3
Govett Emerging	fin	0.25	Oct 3	-	0.25	-
Green Property	int	1.2‡†	Sept 30	1.2	-	4
ICI	int	10.5	Oct 3	10.5	-	27.5
Jacobs (John I)	int	0.25†	Oct 27	0.5	-	3.3
Jersey Phoenix	fin	1.5*	Oct 12	1.5	5.25	5.25
Kleinwort High	fin	1.875	Oct 3	1.875	7.5	7.5
Motor World	int	2.5	Sept 9	2.3	-	7
Ransom (Wm)	fin	1.22	Oct 1	1.378	1.989	1.903
Unitech	fin	4.32	Oct 3	4	6.56	6.1
Witan Investment	int	2.7	Sept 16	2.7	-	5.8

Dividends shown pence per share net except where otherwise stated. *Gross. †On increased capital. §USM stock. ‡Irish pence.

This announcement appears as a matter of record only.

kpn

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June, 1994

Offer price represents 5.5% discount to net asset value

Pillar to float with £170m tag

By Andrew Bolger

Pillar Property Investments is coming to the market at 150p per share, an offer price which values the company at £169.7m – a 5.5 per cent discount to net asset value.

Two of the better-known developers of the 1980s, Mr Raymond Mould and Mr Patrick Vaughan, are respectively chairman and chief executive of the group.

The 60m shares on offer have been placed with institutions, with 15m subject to clawback for the public offer. Applications must be in by August 5 and dealings will begin on August 15.

The offer, fully underwritten by BZW, will raise £87m for the company. Of this, £40m will be used to pay off loans, with the rest used to repay short-term borrowings and fund future acquisitions.

Pillar was set up as a vulture fund to prey on institutional quality properties in the collapsing market of 1991. It has built up a £352m investment portfolio, comprising 26 commercial properties.

At present, 64 per cent of Pillar's properties are let to either FT-SE 100 companies or government bodies, and there is an average unexpired lease length of 22 years.

The company estimates that 85 per cent of its leases are now at, or below, current market prices.

Debt will fall to £165.9m, with gearing reduced from 168 per cent to 92 per cent, improving interest cover from its £25.4m rent roll.

● **COMMENT**

"Full but fair" was the consensus verdict on the pricing of Pillar, which has amassed a quality portfolio of properties. The initial yield of the investment portfolio is currently 7 per cent, but that should go up sharply as rents rise – Pillar has a 41 per cent exposure to the retail sector, where rents are forecast to increase rapidly over the next few years. The shares offer a notional dividend yield of 3.1 per cent – below the sector average of 3.8 per cent – but Pillar will be better able to increase its dividend than other competitors with less attractive properties. The pricing means the shares may not go to much of an initial premium, despite having attracted solid institutional support.

Harrods ex-chief may join Clark

By William Lewis

Mr Peter Bolliger, former managing director of Harrods, the Knightsbridge department store, is in talks with C&J Clark about joining the family-owned shoe company.

"We are looking at a possible new role in the company for him, with executive responsibility," Mr Kevin Crumplin, a main board director of Clark, said yesterday.

Mr Bolliger's departure from Harrods in April provoked a bitter war of words with Mr Mohamed al-Fayed, the store's co-owner. At the time Mr Bolliger said of Mr al-Fayed: "He likes to feel he is running the store. He will even go behind a counter and cut salami."

Mr Bolliger said he had resigned but Harrods said he had been ousted for unsatisfactory performance, in particular his running of the Kurt Geiger shoe chain.

Mr Crumplin, personnel director at Clark, said that one stumbling block for Swiss-born Mr Bolliger was that his work permit "is running to the end now".

"There is no certainty that he is joining us because Peter is a foreign national," Mr Crumplin said. "It's up to the Department of Employment whether or not we can even proceed, and if we then proceed we've still got to finalise what sort of job we'd want to give him."

Clark is also talking to other candidates. Mr Crumplin said: "Peter is a great shoe guy and we talk to shoe men constantly. The only safe thing I can say is that we are in discussion with Peter."

Clark's shareholders narrowly rejected a £184m takeover bid from Berisford International last year. In October it appointed Mr Roger Pedder as chairman and is still to appoint a second external non-executive director.

NEWS DIGEST

Sidney C Banks at £3.4m

Sidney C Banks, the grain and agricultural specialist, announced pre-tax profits ahead from £2.87m to £3.42m for the year to April 30, despite a fall in turnover from £280.6m to £231m.

Mr Alistair Mitchell-Innes, chairman, said reforms to agricultural policy had resulted in a smaller volume of grain being sold which, coupled with lower prices, led to a reduction in cereal turnover. Other agricultural sectors performed well. While non-agricultural business also made a good contribution, competition in the food business adversely affected margins.

Earnings were 25.7p (22.5p). The final dividend is 6.25p, making 9.75p (9p).

Derby Trust

Net assets per capital share at Derby Trust rose 4 per cent to 437p as at June 30, compared with 421p last time.

Net revenue for the six-month period increased from £742,648 to £838,745, for earnings per income share of 7.102p (6.29p). All earnings will be distributed as dividend.

Ayrshire Metal

Pre-tax profits of Ayrshire Metal Products showed a 38 per cent improvement, from £572,000 to £792,000, in the six months to end-June.

The advance was achieved on turnover up from £16.5m to £17.7m and was boosted by a lower interest bill of £16,000 (£63,000). An interim dividend of 1.25p (nil) is declared, payable from earnings of 5p (3.8p) per share.

Directors said the outcome for the six months reflected the gradual improvement in the company's markets and all parts of the group were now profitable.

Contra-Cyclical

The split capital Contra-Cyclical Investment Trust reported a net asset value of 48.3p per capital share as at June 30, a modest increase on the value of 47.8p a year earlier.

Net revenue for the three months to end-June amounted to £125,000 (£249,000) for earnings of 1.56p (3.1p) per income share. The first interim dividend is held at 2.25p.

John I Jacobs

John I Jacobs, the transportation group, announced a 17 per cent decline in pre-tax profits from £46,000 to £38,000 for the six months to June 30.

Turnover was up some 9 per cent to £1.57m (£1.45m), largely the result of a 40 cent increase in the shipbroking division. Mr Michael Kingshott, appointed managing director in a boardroom shake-up earlier this year, said this was a "modest increase not anticipated" at the time of the circular to shareholders in June.

Earnings per share fell to 0.1p (0.5p). The interim dividend is halved to 0.25p.

Sphere Inv Tst

Net asset value per income and residual capital share at Sphere Investment Trust rose 20 per cent, from 36.74p to 44.19p, over the 12 months to the end of June.

The board said it was still looking to extend the life of the trust, managed by Marathon Asset Management, beyond its wind-up date in October 1995.

Net revenue fell from £2.83m to £2.12m, while earnings per income and residual capital share moved from 2.31p to 1.73p. As already announced, the second interim dividend is held at 0.75p, making an unchanged 1.5p to date.

Chieftain

Chieftain Group, the USM-quoted supplier of specialist insulation and fireproofing services, returned to profit in the half year to June 30 with £203,000 pre-tax, compared with losses of £481,000. Turnover fell from £7.36m to £4.84m.

The acquisition in January of R Blackett Charlton had enabled the company to expand in the diversified activity of pipe fabrication and erection, said Mr Peter Wardle, chairman, and the company had won orders of nearly £1m, due to be completed this year.

An unchanged dividend of 1.5p is declared from earnings of 1.67p (3.76p losses) per share.

Danka

A substantial rise in turnover helped Danka, the office equipment supply and servicing group that operates mainly in the US, to a 71 per cent pre-tax profits increase in the first quarter to June 30.

Turnover, which rose from £64.6m to £116m, increased partly on the back of acquisitions made the previous year, but Mr Dan Doyle, chief executive, said there was also a 12 per cent sales growth in core operations.

Pre-tax profits advanced from £6m to £10.3m.

Earnings per share were 3.5p (2.8p).

Witan Investment

Witan Investment Company reported net asset value improved over the 12 months to June 30 from 227.2p to 242.5p per share. However it was lower than the 271.7p reported at the December 31 year end.

Net revenue for the six months to end-June was £9.34m (£9.29m) for earnings per share of 2.48p (2.58p). The interim dividend is maintained at 2.7p.

J&J Dyson

Pre-tax profits rose by 52 per cent at J&J Dyson, the refractories group with interests in builders' merchanting, for the year to end-March.

The surplus was £1.23m, compared with £807,275. However, the previous year was hit by reorganisation costs and a loss on disposal of discontinued operations, which led to exceptional debits of £387,333. This time the amount was £96,400.

Turnover rose from £42.6m to £44.1m. Earnings fell from 8.48p to 6.7p, while a final dividend of 2p makes a total of 3.5p (5p).

Premier Health

Premier Health, the healthcare services group, swung from pre-tax losses of £1.21m to profits of £618,000 in the half year to June 30.

The result, on turnover of £6.42m (£6.38m), included exceptional credits of £413,000 (£239,000) of which £362,000 arose from the ending of non-core activities.

Earnings per share came through at 0.21p (0.4p losses).

Johnson Fry back in black with £2.3m

By Bethan Hutton

Johnson Fry, the financial services and investment group, returned to profit in the six months to June 30 after last year's restructuring and name change from LIT Holdings.

Pre-tax profits were £2.25m, compared with losses of £21.1m which included exceptional losses of almost £20m resulting from the sale of LIT America.

Turnover and operating profits were down substantially, largely because of the ending of the business expansion scheme, formerly one of Johnson Fry's main areas of activity.

Turnover was £18.2m, against £24.7m excluding the contribution from LIT America. Operating profits of continuing operations fell to £2.17m (£6.32m).

Mr Christopher Castleman, chairman, said that comparisons with 1993 were meaningless in total "because of the very material effect on prior periods' figures of BES revenues, the results of the American businesses which were divested last year and the group capital structure prior to the restructuring".

Johnson Fry Property was the best performing division during the six months. Turnover doubled to £8.83m (£4.31m), and operating profit rose from £494,000 to £3.28m. Properties under management were valued at £907m (£665m).

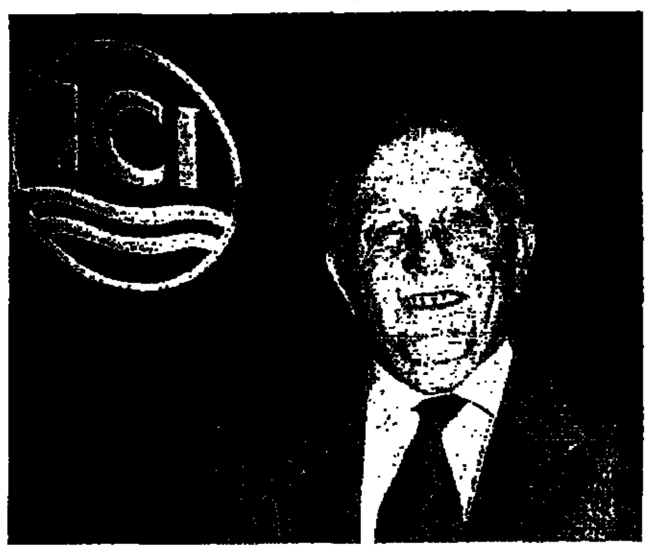
Funds under management by the asset management arm rose to £225m (£145m), but fell from the £250m year-end figure despite the launch of one new investment trust. The financial services and insurance services divisions operated at "about break-even".

The group is still looking for acquisitions, which would be funded through equity issues.

Earnings per share were 8.9p (154.1p losses).

All-round growth at ICI but still below target

By Paul Abrahams



Lydia van der Meer

Ronnie Hampel: boasted proudly of advances by all divisions

Mr Ronnie Hampel, ICI's chief executive and chairman-designate, yesterday proudly boasted that every division had reported higher operating profits.

Nevertheless, the overall performance remained well short of an acceptable target, he said.

The most profitable division was industrial chemicals where trading profits rose from £59m to £109m, on lower sales of £1.87bn (£1.89bn). The fall in turnover followed the sale of the polypropylene business to BASF, the German chemicals group. Taking this into account sales volumes were up 5 per cent.

Mr Hampel said strong demand for polyester fibres and plastic bottles had boosted demand for PTA and PET. However, pricing of Klea 134a, the CFC-substitute, remained a problem in Japan, although sales growth was excellent, said Mr Alan Spall, finance director.

The company was selling its \$100m (£64.5m) US polyols business to a Canadian company. The profit from the disposal would be included in third quarter results.

Trading profits at the paints business rose from £49m to £52m on sales down at £848m (£856m). Sales volumes were up 6 per cent but the decorative paint sector remained subdued, said Mr Hampel.

The materials division reported trading profits up from £16m to £47m on sales up at £856m (£723m). Turnover was boosted by the acquisition of Du Pont's acrylics side, while profits were helped by the sale of the lossmaking fibres business. Overall, volumes were up by 11 per cent, but margins were under pressure from rising raw material costs. Prices of polyurethanes also remained under pressure.

Trading profits at the explosives division were £30m (£19m) on sales of £386m (£318m) including a £65m contribution from AECI Explosives, the 51 per cent owned South African subsidiary.

The regional business contributed trading profits up from £28m to £35m on turnover of £702m (£690m). The economic recovery in Australia and reduced losses in Argentina helped lift the results.

Portman sells land bank to MJ Gleeson for £11.9m

By Caroline Southey

MJ Gleeson Group, the Surrey-based construction, housebuilding and property concern, has bought the residential development business of Portman Building Society for £11.9m cash.

The principal assets of the land bank acquired are 413 plots of eight sites with planning permission, 1,300 plots held under option and 33 acres without planning permission.

Portman Homes incurred a pre-tax loss of £4.4m in 1993, mainly reflecting a write-down of the value of its land bank and work in progress.

Mr Colin McLellan, Gleeson finance director, said the company was taking a medium-term view of the housing market. "The plots will take four years to sell, by which time we would hope there will have been a pick-up in the market."

The weak housing market has depressed Gleeson's profits during the last four years although the company has remained in the black. It reported pre-tax profits of £8.2m (£9.9m) in the year to June 1993 and in March it reported flat interim pre-tax profits of £4.1m, compared with £4.06m.

Obituary

Sir Alex Alexander

Sir Alex Alexander, who has died at the age of 77, will be remembered jointly for his contribution to the food industry and his huge fund-raising efforts for charity and the arts.

He arrived in Britain as a poor refugee from Czechoslovakia in 1938 and rose to the top of several British boardrooms. He never denied, and sometimes encouraged the belief, that over the years he had accumulated one of the best address books in the country.

Alexander was born Korda Kestenbaum in November 1916 and studied medicine at the prestigious Charles University in Prague. He left for England at the time of the German invasion. With hindsight it is clear that he picked up good contacts from the start.

In the early war years he surfaced as a clerk at a gravel pit site of the Alfred McAlpine construction group. After the war, when he changed his name, he worked on the Westwick estate in Norfolk partly as a nurse to the family, but also developing the estate's interest in canned fruit. It was there that he realised the potential of the frozen food business.

Alexander went briefly to America to pick up the technology of refrigeration. He then founded Westwick Frozen Products and by 1953 had gone into partnership with Carl Ross, who specialised in freezing fish.

The Ross Group expanded rapidly and was taken over by Imperial Tobacco in 1969. Alexander stayed with the new grouping for 10 years as chairman of Imperial Foods.

When he retired in 1979, there were widespread directorships – Unigate, Tate & Lyle and Alfred McAlpine, the company for which he had first worked, among them. He also became chairman of J Lyons, the food outlet of Allied Breweries.

He moved on to become vice-chairman of Allied-Lyons at a troubled time.

In 1985 the group was confronted with a hostile takeover bid from Elders IXL. There was a referral to the Monopolies Commission and the case went on for a nearly a year. The eventual ruling was in favour of Allied-Lyons, though by then Elders had lost interest.

Alexander played some role in the defence and could be outspoken in his public comments, but insiders tend to give much of the credit to Sir Derrick Holden-Brown, then the company chairman, as well as the financial advisers in the background.

More recently, Alexander has been best known for his work in the arts, though even this had a long history. In his early Norfolk days he was raising money for the local Red Cross. He began fund-raising for Glyndebourne in 1973 and was responsible for introducing corporate sponsorship. He went on to become chairman of the Royal Opera House Trust, the fund-raising body for Covent Garden.

Stories about his powers of persuasion abound. When told that a friend had donated £100,000 to the opera house, he growled that he had promised £120,000. Alexander picked up the telephone and the cheque for the remaining £20,000 was in the post.

He was married in 1946 to Margaret Irma, whom he knew in Czechoslovakia before the war, and he was knighted in 1974. They had two sons and two daughters.

Alexander's last main job was as senior managing director at Lehman Brothers International (Europe).

RECRUITMENT

Jobs: Ageist policies and the wasted talents of a generation of executives

Redundancy reigns in Metroland

The unemployed have become stuck with the stereotypical image of the out-of-work northern man. He is either a miner or a docker, wears big boots, a thick brown belt, corduroy trousers and a vest, and thumps the table every time he makes a point.

He is as much a part of history as the Jarrow march, yet his image continues to prevail, reinforced by persistent "death of a community" newspaper reports on the demise of the coal industry. It seems that not until the last lump of coal has been hewn or the last rivet punched into the last ship's hull will the caricature be laid to rest.

George Orwell's legacy has been a long time fading, but even though areas of social deprivation still exist, the picture largely belongs to another time. Today the road of social hardship no longer leads to Wigan Pier, but to Swindon, High Wycombe and Welwyn Garden City.

The semi-detached home counties suburbia immortalised by John Betjeman in his poems of Metroland has become the focus of 1990s unemployment. Beyond the poplar-lined avenues and mock-Tudor façades and the neatly manicured lawns of open-plan executive housing estates resides a groundswell of resentment.

The extent of the anger in these Tory heartlands is crystallised in a sheaf of letters that appeared on my desk this week. The letters were sent to an Oxford-based recruitment magazine in response to its campaign on ageism in the workplace.

Almost all were from people in the 40-55 age bracket with many years of experience in their chosen fields. Typically they had a job in middle management paying a good salary, say between £30,000 to £40,000, with commitments and a life-style to match. Suddenly they found themselves redundant; too old and too expensive for their organisations' needs.

All the letters make well-written, cogent points. One is from a woman, aged over 45, an experienced export sales and marketing manager, fluent in three European languages and caught, as she says, "in the continuing middle-management pruning".

"How is it possible that the thousands of currently unemployed executives and managers can be treated in such a manner?" she asks. She belongs to a privately organised executive jobs club in Gerrards Cross, Buckinghamshire. It has 120 members, mostly aged over 45. "The amount of experience, talent and management ability being wasted is absolutely incredible," she says.

She adds: "Please do not think we do not try; that we do not send out hundreds of finely honed CVs; that we do not know about networking, cold-letters, agencies and all the other methods employed by those out of work." Job applications, she says, often get no replies or a tactful note indicating that her date of birth is a problem.

"For the first time in my life, I have been forced to become conscious of my age. What employers do not seem to comprehend is that someone who is 45 plus is often more stable, secure, able to take decisions, willing to start early and work late, does not take Mondays off or have small families to cope with, unlike many 25 to 35-year-olds. So why is industry so blinkered?"

Another writer who, he says, has committed "the cardinal sin of getting old", recalls an interview session where on more than one occasion the interviewer used the expression "getting on a bit". He and fellow job seekers have become so accustomed to rejection letters that they now "hold a lottery as to what excuse will be in the standard three paragraphs".

A 47-year-old High Wycombe man, made redundant after a company takeover five years ago, says he has never signed on for unemployment benefit and, after a series of part-time and temporary jobs has become "resigned to never having a 'proper job' again".

It must be stressed that these are not unqualified people. One of the letters begins: "I am a chartered accountant, 55 years of age, with an impressive track record of success and achievement in both private and public limited companies as finance director and company secretary."

Since becoming unemployed last March, for the third time and through no fault of his own, he insists, he has written "countless letters of application without success, in many cases not getting even the courtesy of an acknowledgement". He also registered with a number of specialist recruitment agencies, but was subsequently told by a company recruiter that "virtually every recruitment agency will just push to one side any job application and speculative CV if the age of the applicant is 50 or more", unless the job calls for such a person.

The accountant writes: "I truly believe that the majority of agencies and employers think that the over 50s are in wheelchairs or on sticks, are totally bald and toothless, and are too weak and frail even to lift a pen or a key into a computer."

He ends: "I see little hope of John Major or any of his minions doing anything that will help the mature job seeker. He has most certainly lost my vote – for good."

A letter from an engineer says he "worked very hard through engineering apprenticeship, engineering studentship and university to achieve Master of Science and Chartered Engineer status and for the last two years I have been jobless like many other people in my situation. I could have pretended I am a self-employed consultant like many professionals do to hide the shame of being unemployed."

Behind many of these letters are cases of real hardship. A 50-year-old man from Bath explains how he was made redundant in 1990 from a job that paid more then £40,000 a year. His house was repossessed by the building society and sold for less than his mortgage. He has four children and has moved house four times in three years. He has experienced, he says, "a total inability to find a job paying any salary at all", yet has claimed no assistance from the state "due to desperate efforts to generate an income by any self-employed means".

He has, he says, sold insurance and encyclopaedias, driven a taxi, written stories, worked as a holding manager in a problem public house, designed promotional schemes for the catering trade, carried out sales training for small businesses and done gardening work.

His is a pessimistic note. "The discrimination is not going to stop or even diminish" because society has fundamentally changed, he argues. Among the changes, he says "the corporate bodies we once gave our lives to working for no longer have a social conscience, if indeed they ever had one".

How is this man coping? He says: "I survive. I look forward, not back. I create a new, completely different lifestyle. I rely on my family and a few close friends. I use all my energies chasing opportunities to make money (not as much as before), rather than trying to find a job, although I still do that as well."

These letters reveal the hidden unemployment among the middle classes. They reflect real despair among good, qualified, able, experienced people who feel as if they have been dumped on the scrapheap through, as one of them put it, no fault of their own. All feel victims of age discrimination.

Perhaps this trend is a phenomenon of the 1990s, a combination of recession and the revolution in working practices. Perhaps the pay expectations of the managerial classes have outgrown demand. Whatever the case, these stories reflect an unacceptable waste of talent, experience and enthusiasm.

Usually this column is devoted to ideas and trends in the recruitment market, writing about how jobs are changing, different forms of work, outplacement, pay, share options, boardroom compositions, a mixture of the concrete and theory.

Sometimes, however, before you can consider solutions it helps to be aware of the problem.

Richard Donkin

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THE ROLE

- Work as part of a dedicated team of professional research analysts, located across Europe providing industry and company specific research to fee earners.
- Servicing the bank's full range of products, participate in major international transactions working directly with internal and external clients.
- Use specific sector knowledge to identify and develop potential transaction opportunities. Reporting to the Head of European Research.

THE QUALIFICATIONS

- High calibre graduate, preferably with MBA or ACA and second European language. Previous experience in industry and company research essential, preferably with a financial or consultancy background.
- *Skills in financial and strategic analysis* with the ability to focus on key issues. Independent approach with the intuition to go beyond obvious conclusions.
- Strong interpersonal skills with the confidence to communicate opinions at senior level. Disciplined and tenacious.

Leeds 0532 307774
London 071 493 1238
Manchester 061 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. F81720741, 16 Connaught Place, London W2 2ED

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c. £55,000 package — *Major US Investment Bank* — *City*

Media and Telecommunications Strategy

Excellent opportunity for outstanding industry specialist to join an international team providing transaction-based research for European Corporate Finance. The Media and Telecommunications team has achieved considerable success through a wide range of international advisory and financing mandates. The Bank is a market leader known for its innovation and has a strong presence across Europe.

THE ROLE

- Join a team of industry specialists providing high quality research for Corporate Finance across Europe. Closely working with line managers on specific transactions.
- Use sector knowledge to identify potential transaction opportunities and to play an integral role in marketing and client presentations.
- Provide independent research and analysis, giving an objective stance on international market trends and crucial issues facing the industry.

THE QUALIFICATIONS

- High calibre graduate, ideally with MBA. Media and telecoms research background from management consultancy, financial institution or corporate strategic development essential.
- Proven qualitative and quantitative analytical skills and strong commercial focus. Marketing flair and an interest in business development.
- Maturity to set own agenda combined with considerable drive. Articulate, confident of opinions and comfortable dealing with senior management.

Leeds 0532 307774
London 071 493 1238
Manchester 061 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. F81730741, 16 Connaught Place, London W2 2ED

SENIOR CORPORATE BANKER
c£50,000

Our client has developed its excellent *reputation by identifying closely with its* corporate clients and by providing a full and varied range of corporate services. It now seeks to enhance its corporate banking team with the appointment of an experienced banker who can develop and maintain close business relationships with existing and prospective clients. The ideal candidate will be able to demonstrate a sound understanding of lending, corporate finance and derivative products and have a successful record of developing profitable business with new clients. Age 28-38.

ASSET BASED FINANCE
£60,000

As a result of continued growth in business activity within its highly regarded asset finance division our client, a prestigious UK banking group, now seeks to recruit a creative asset based financier. This newly created role would ideally suite an appropriately experienced graduate aged late 20's early 30's, who will take responsibility for developing, tailoring and marketing structured asset finance products to UK clients.

SENIOR CREDIT ANALYST
c£40,000

Our client, a leading European Bank, seeks *to appoint a Senior Credit Analyst who* can take responsibility for analysing a wide range of corporate and financial institutions. Additionally, the successful candidate will become involved in the training and development of other members of the team. This challenging role would ideally suit a highly experienced credit professional who has a clear understanding of credit/risk issues and can demonstrate sound man management skills. Age to mid 30's.

RELATIONSHIP MANAGER
£35-£40,000

This is an excellent opportunity for a young, confident and bright graduate relationship banker to assist in the maintenance and development of this major European bank's multinational client portfolio. The ideal candidate will be in their late 20s, formally credit trained with at least 12 months, experience of building relationships with the senior executives of major UK or European corporates.

Please contact Sean Carr or Richard Lyons
Carr Lyons Search and Selection Ltd
Astral House, 125-129 Middlesex Street
London E1 7JF
Tel: 071-623 9493 Fax: 071-626 1263

Williams Wingfield
Executive

Carr-Lyons Search & Selection Limited trading as Williams Wingfield Executive

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Global Business Review

Exceptional pro-active assignments

London/South West — **excellent salary + bens**

Our client, the Banking subsidiary of a dynamic US giant synonymous with excellence in the finance and travel market, is a trail-blazer in customer-driven service throughout its operations which span more than 81 offices in 37 countries. Their performance in 1993 was outstanding, achieving some of *the strongest financial results in their history and creating a new foundation* for controlled growth, quality and innovation.

The high-profile Operational Review team, based in the UK and reporting to New York, plays a key role in driving continued successful expansion. Project-based, the team works with operations worldwide looking at all areas, particularly those of highest risk - leading-edge treasury products, high-level trade finance transactions - from a business perspective. Constantly challenging management thinking and reviewing the implications of business strategy, the team seeks ways to minimise exposure and improve financial performance. Highly visible, the team works closely with management at the most senior level, complemented by a specialist EDP department which focuses on the operational, security and statutory implications of data processing projects throughout the group.

There are a number of new positions in each team; in all cases candidates must be enthusiastic, objective, have good inter-personal skills and be able to present and discuss ideas confidently and persuasively. Aged 25-35, applicants must be keen to undertake approx. 60% travel throughout Europe, Africa and the Middle East, with occasional visits to Asia, North and South America. Audit experience, strong technical skills and professionalism are essential together with experience of influencing management decisions.

Candidates for the Operational Review team need not necessarily be qualified but are likely to be ACA/CIMAs with relevant experience; for the EDP team, graduates with a background in data processing or computer audit is essential.

The excellent salary package includes mortgage subsidy, relocation assistance and other banking benefits, whilst the career prospects are superb. Other departments worldwide view the teams as a source of high-calibre candidates with strong business acumen for management positions in operational management, finance, treasury and other business areas.

Interested applicants should send or fax their CV quoting ref 075 or contact us on 071 329 4649, or during the evening and weekends on 081 467 1408.

ALDERWICK CONSULTING
SEARCH & SELECTION
OLD BAILEY HOUSE, 7 OLD BAILEY, LONDON EC4M 7NB. TEL: 071-329 4649 FAX: 071-329 4677

Senior Vice President Marketing

International Private Investment

Saudi Arabia/USA — **c US$ 250,000 (Tax Free) + Incentive**

Our client is an investment services company specialising in identifying private equity, real estate and other, primarily US, investment opportunities structured to meet the objectives of eminent Middle East investors. Highly successful, it is part of a major Saudi-American Group operating globally.

Based in Jeddah and with occasional visits to the United States, you will report directly to the CEO of the company. As Senior VP Marketing, you will develop the private investor base in Saudi Arabia and the Gulf by creating and implementing a focused marketing strategy which is supported by a deep understanding of market and economic fundamentals. You will also work closely with the company's US operation - which is the vehicle for originating transactions - to develop new products.

As well as driving forward the overall strategic development of the company, your prime responsibility will be for product placement, demanding an ability to form strong, lasting relationships with investors.

You must, therefore, have the professional and personal presence necessary to command respect, together with excellent interpersonal and communicative skills.

Probably educated to MBA level, you will have spent at least 5 years developing and marketing sophisticated investment products to individuals and institutions in the Middle East and possess a proven track record in developing client relationships at the highest level. An excellent knowledge of the US investment and real estate markets is essential and a knowledge of Arabic would be advantageous.

This role is central to the company's success. Hence a package of around US$ 250,000 is negotiable, free of Saudi tax, and the comprehensive executive expatriate benefits include an incentive scheme which, as one of the prime beneficiaries, you will help design.

Please write - in the strictest confidence - to Ghassan Yazigi or Ian Robertson, Ref: 1361/2. MSL Group Limited, 32 Aybrook Street, London W1M 3JL.

MSL International
CONSULTANTS IN SEARCH AND SELECTION

Credit Risk Managers

J.P. Morgan is one of the world's leading financial institutions. Part of the firm's success results from investment in its state of the art global credit business. Operating as a profit centre, it continues to grow and, as a result, Global Credit Europe now seeks two additional risk managers to cover European financial institutions and complement two financial services teams.

The credit risk managers will be responsible for establishing and managing exposure for a group of financial institutions on a global basis, as well as the firm's worldwide exposure to a country or region. This involves frequent liaison externally with clients and counterparties at senior levels and internally with product groups and business teams. Responsibility for most credit decisions is delegated to individual risk managers. The ability to respond quickly to numerous daily requests is therefore a pre-requisite.

Whilst the ideal candidates will have previous experience of a similar credit role in another major institution, directly relevant experience is less important than possession of the right skills to succeed in a demanding environment. Specifically, these are:

- Strong financial analysis skills and commercial acumen with the ability to make sound, reasoned judgements under pressure.
- Knowledge of investment banking products including derivatives, treasury facilities, securities clearing and corporate finance.
- Strong interpersonal skills including the presence and maturity required to represent the bank at senior levels both externally and internally.
- Fluency in another European language would be advantageous.
- PC literacy.

Candidates with these skills will also have a good degree and may currently be working in; other areas of corporate finance, management consultancy or accountancy, but looking to move into a dynamic credit environment. Appropriate training will be given as necessary.

J.P. Morgan offers a competitive remuneration package and excellent career development prospects.

Interested candidates should write to Niall Macnaughton at BBM Selection, 76 Watling Street, London EC4M 9BJ, enclosing a detailed CV. Fax: 071 248 2814. All applications will be treated in the strictest confidence.

JPMorgan

SENIOR PERFORMANCE ANALYST

Highly Competitive Salary + Benefits

CITY

AMP Asset Management, a Top 20 Fund Manager with over £17 billion assets under management, has combined a new and dynamic corporate and business culture and is poised to enhance its position within the UK and International arena.

In order to further strengthen and enhance the quality of reported information a new role has been created within the Performance Analysis team.

Reporting to Manager, Performance and Reporting, you will manage a small, professional team, with responsibility for calculating and analysing the investment performance of the company's *various funds, both in the UK and internationally.*

There is a high level of contact with senior management, Board Directors and Fund Managers, requiring you to present and discuss results, explaining competitive surveys, market indices and overall performance. Additionally you will be a key member of an ongoing systems enhancement project which, so far, has successfully broadened the depth of information available.

Suitable candidates will be highly numerate individuals (demonstrated by a mathematical/science based degree) with a genuine understanding of analysis techniques combined with a knowledge and understanding of financial markets. Although individuals with directly relevant experience would be ideal, candidates from other fields will be considered, providing they can demonstrate the relevant technical and analytical skills, coupled with strong PC literacy. (Age indication 25-30.)

For further information please contact **Lucy Ayrton on 071-209 1000 (eves 071-223 2696)** or write to her at **Financial Selection Services, Charlotte House, 14 Windmill Street, London W1P 2DY (Fax 071-209 0001).**

AMP ASSET MANAGEMENT

RESEARCH ANALYST

Would suit graduate in Economics, Business or Finance interested in pursuing a career in the financial world. Experience in world financial market analysis preferred. Computer literate, with strong written and oral communication skills essential. Salary negotiable.

Please write with CV to: Amas UK, FAO: Stuart Wilkinson, 16 Charles II St, London SW1Y 4QU.

SENIOR BANKING
ACA c£60,000

An international bank seeks a versatile ACA aged 35/40 years with proven accountancy tax systems and banking skills. Contact: Sheila Jones

OBSB LTD

Tel: 588 3991 Fax: 588 9012

Head of Investment Administration

with potential to move to general management

Isle of Man — **c.£45,000 + benefits**

Our client is a leading International Bank with a first class reputation built on historical success and forward looking creativity.

This new position will combine responsibility for the day-to-day administration with business development, client liaison and, crucially, people management.

Ideal candidates probably in their late thirties or forties, will require an equal degree of flexibility showing attention to detail yet broad strategic vision. We have no real prejudices regarding professional qualifications (although an accounting background may be useful) - we are more interested in a demonstrably successful track record in financial services encompassing administration and people management skills.

We would expect the right candidate to be capable of promotion to run the whole operation in due course so we require a broader view - credibility, confidence and commercial awareness are of paramount importance.

Career progression is first class and the flexible salary/benefits package coupled with a very pleasant island lifestyle make this a very attractive opportunity.

Please send full career details, including current salary package, quoting reference A2160 to
Malcolm Lawson, at Codd Johnson Harris, Human Resource Consultants,
12 New Burlington Street, London W1X 1FF.

CJH Codd • Johnson • Harris

CORPORATE FINANCE

MANAGERS - NATURAL RESOURCES & UTILITIES

N M Rothschild & Sons Limited is an international merchant bank with a strong reputation for its corporate finance activities.

As part of the Bank's Corporate Finance Division, the Natural Resources and Utilities Department provides corporate and project finance services to the oil and gas, mining and utilities industries worldwide. With a range of services including acquisitions and disposals, restructuring and privatisation, and project finance advice, the Department represents a highly successful and growing part of the Bank's activities.

As a result of continuing business growth, the Department now wishes to expand its team of professionals through the appointment of two new Managers. Both will be London-based, one focusing on natural resources and the other on utilities business.

High-calibre candidates should be graduates with 3-5 years of relevant experience, probably gained in a relevant merchant banking or management consulting environment or in the mining or oil and gas industries. In-depth analytical and financial modelling skills must be backed by the desire to move into a highly demanding and professional work environment.

The remuneration package will be highly competitive, and excellent career prospects will be available for high fliers.

In the first instance, please send your full curriculum vitae, in the strictest confidence, to: Rodney Lonsdale, Director of Personnel, N M Rothschild & Sons Limited, New Court, St Swithin's Lane, London EC4P 4DU.

N M ROTHSCHILD & SONS LIMITED

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sfa

THE SECURITIES AND FUTURES AUTHORITY

PRINCIPAL POLICY ADVISER

Client Assets

SFA plays a key role in the regulation of the City. Its 1300 Member Firms cover all of the most important primary and secondary markets in the UK, including securities, futures, options, commodities, OTC products and corporate finance. SFA's membership spans the whole spectrum of firms from the largest multi-product houses to one-man corporate finance boutiques.

The protection of client assets is one of the cornerstones of investor protection governed by the Financial Services Act. SFA is looking to recruit a Principal Policy Adviser to develop policy in the areas of client money and safe custody. Working closely with other members of the Policy Division, the successful candidate would liaise closely with the SIB, other SROs, senior practitioners and professional advisers to ensure that SFA's policy is practical and up-to-date.

It is essential that applicants have a sound knowledge of the relevant SFA rules or broad experience in working in a securities settlement or custody role.

In addition to these professional skills, the successful candidate must have sound judgement and excellent written and verbal communication skills.

This position offers a salary based upon the relevance of previous experience and a range of benefits including company car (or cash alternative), non-contributory pension scheme, free season ticket, PPP and subsidised sports club membership. Additionally, SFA offers an extensive training programme specifically designed to enable staff to increase their knowledge and enhance their technical and personal skills.

To apply, please write with full career details **stating your current salary** to: Veronica Sherry, *Recruitment and Employment Manager*, The *Securities and Futures Authority Limited*, Cottons Centre, Cottons Lane, London SE1 2QB. Closing date for applications: Friday 5th August, 1994.

TREASURY MANAGER

with Banking experience

A leading engineering and construction plc, of international repute, based close to the City, seeks an experienced Treasury professional to play a key role as part of the small treasury management team.

A sound knowledge of day to day banking activities is essential, including the operation of letters of credit, preparation of mandate documentation, negotiation of UK and overseas borrowing facilities as well as a wide range of treasury management operations. Your track record must include dealing with complex documentation, involvement with overseas transfers, spot and forward contracts, options, and other treasury derivatives. Familiarity with contract bonding, parent company guarantees, and ECGD/export finance would be highly desirable.

You should possess a high standard of computer literacy and must have qualified as a member of the Institute of Bankers or have an equivalent professional status.

This is a high profile role with an essential need for excellent communication and presentation skills to operate successfully at all levels.

We offer a competitive benefits package including a salary of *c.£30,000 p.a.*

To apply, in the strictest confidence, please write with full career details to PO Box A2123, The Financial Times, 1 Southwark Bridge, London SE1 9HL.

■ Opportunities with Deutsche Bank Gruppe ■

You are a senior portfolio manager (in your thirties or early fourties) with at least four years of experience in managing global balanced portfolios for a successful asset management company. You have an advanced university degree in economics, business administration or related field, and you are familiar with the application of modern valuation methods for equity and fixed income instruments. Fundamental analysis, combined with quantitative methods, are the driving forces behind your investment decisions. These are implemented and controlled in a result-oriented and disciplined team approach.

You enjoy working in an international environment, have a fluent command of English and preferably some knowledge of German. You have a EU-working permit. If your credentials meet these criteria, we would like to offer you an opportunity within our Portolio Management Team. As head of the Balanced Accounts Team you are responsible for our global balanced mandates and budget matters. You are a member of the *Asset Allocation Committee* and your investment decisions are based on our jointly designed global investment strategy.

Experienced Senior Portfolio Manager

for global balanced mandates

Wholly-owned by Deutsche Bank AG, we are the Frankfurt-based independent institutional asset management company, managing US $ 6.8 billion for a globally diversified institutional client base. We offer challenging and exciting career opportunities and a competitive remuneration package including additional benefits.

Please forward your resume to Heike Baur, Deutsche Asset Management GmbH (DBAM), Bockenheimer Landstr. 42, D-60323 Frankfurt am Main.

■ Let's talk about it.

Deutsche Asset Management
Deutsche Bank Gruppe

Treasury Analyst

A challenging role in a progressive environment

Reading c.£23,000 + benefits

Already one of the UK's largest companies with a turnover exceeding £1 billion a year, pre-tax profit of over £250 million and a £400 million annual investment programme, the Thames Water Group is continuing to grow rapidly. Within our Group Finance division at our headquarters in Reading we now need an experienced analyst to join our highly-skilled treasury team.

Treasury is a key function providing an essential service to the Group's operational management and in this role you will provide vital support to the Assistant Treasurer (Cash Management). This will include day-to-day monitoring and analysis of key Group cashflows, both actual and projected, and the identification and monitoring of foreign exchange dealings worldwide. In addition, you will be responsible for the evaluation of risk hedging opportunities in relevant financial markets.

A graduate with student membership of the Association of Corporate Treasurers, you will have around 2 years' corporate treasury experience, or have worked within a comparative banking environment, and have the commitment, drive and ambition to progress within this type of environment. You should be computer literate, with the ability to develop computer-based support systems to determine Groupwide operating exposures, and be familiar with LOTUS 123, Symphony and treasury software packages.

Your salary will be geared to qualifications and experience. A comprehensive range of company benefits is also offered and includes performance-related pay, contributory pension and generous holidays.

To join our fast-paced team, please send your full career details to Tracy Handover, HQ Personnel, Thames Water Utilities, Napier Court 4, c/o Nugent House, Vastern Road, Reading, Berks RG1 8DB.

Thames Water

SENIOR INVESTMENT MANAGER

UK EQUITIES

Principal is an expanding, independent investment management business with a culture of rewarding achievement. This position offers an exceptional opportunity to contribute directly to the performance of our client funds and play a major role in the Group's continued expansion.

We are looking for a top quality graduate, with a minimum of 3 years' relevant experience, probably within a larger institutional environment. You must have good analytical skills, be an effective communicator and pay keen attention to detail but, most importantly, within this small, lean business, you must relish the prospect of working on your own initiative, being involved in strategy as well as stock selection and being judged on ability and performance.

The competitive remuneration package will include the prospect of equity participation for the right calibre candidate.

Please apply in writing enclosing a CV to:
Miss Sara Gibbs
Principal Investment Management Limited
16 South Park Sevenoaks
Kent TN13 1AN
or telephone 0732 740700
for further information

PRINCIPAL
INVESTMENT MANAGEMENT LIMITED

Institutional Research & Sales

- Edinburgh -

Utilities Sectors

A well motivated individual with analytical and presentational skills is sought to join Greig Middleton's institutional team covering Utilities. The position has considerable scope for personal development within a growing institutional stockbroking business. Greig Middleton are focusing on key sectors of the UK equities market and wish to strengthen and develop coverage of the Electricity, Gas and Water sectors.

Greig Middleton's business encompasses both a major private client base and fast developing institutional and corporate finance businesses serving UK and Continental institutions. Institutional stockbroking is based in the company's London and Edinburgh offices.

The successful candidate for this position may come from a securities industry background, in stockbroking or fund management, or from within industry. The role envisaged comprises the generation of investment ideas, the production of written research and both telephone and presentational marketing to institutional investors. At least three years' relevant experience is a requirement for candidature. The position, while being Edinburgh based, will involve considerable travel within the UK in meeting companies and clients.

GREIG MIDDLETON
Member of The London Stock Exchange

Contact David Campbell
Greig Middleton & Co Ltd
10 Walker Street
Edinburgh EH3 7LD
Tel: 031 226 1234

U.S. GOVERNMENT SECURITIES

The London branch of a primary dealer in U.S. government securities is looking to employ a sales person, preferably a graduate, with two to three years experience in the fixed income markets. The successful candidate will exhibit good communication skills, be self motivated and fit easily into a small team.

A competitive remuneration package is available.

Please reply to box A2120, Financial Times, One Southwark Bridge, London SE1 9HL.

Our Client, one of the U.K.'s leading international Investment Banks wishes to strengthen their sales team and appoint an:

INSTITUTIONAL SALES EXECUTIVE

Excellent Package — City Based

Reporting directly to the Head of Fixed Income Sales, Europe, you will be responsible for selling fixed income products to a Swiss Client base. It is essential that you have at least 4 years experience of selling this type of product into the Institutional Swiss market, or current knowledge of fund management in this sector.

Aged mid 20's to 30's, a fluent French speaker, you should be ambitious with excellent communication and interpersonal skills. Familiarity with the Swiss culture would be a distinct advantage. Being able to work on your own initiative with the minimum of supervision will be paramount to your success.

Interested applicants should write, enclosing a current CV to:

PMC

PMC International Ltd, Franklyn House, 38/40 Bell St., Reigate, Surrey, RH7 2BA.

Senior FX Sales Position

Our client is a major US Super-Regional bank with 20,000+ employees worldwide, and is seeking a high-calibre, ambitious individual to join their London Treasury team. The London operation has been established for over 20 years, is a highly profitable business centre, and is seeking to continue their expansion in Capital Markets. They now require a highly motivated team-player to become an integral member of their Treasury Department.

This is an rare opportunity for a pro-active individual to become a senior member of a dedicated marketing desk, selling FX products to a diverse UK and European Institutional and Corporate client base. This high-profile position reports directly to the Treasury Manager, with strong potential for future management opportunities.

Successful candidates will have a minimum of 5 years' experience of front-office Treasury/Trading activity. Marketing/Sales experience is essential with some hands-on FX trading desirable.

An attractive base salary with bonus and full banking benefits are offered.

Please apply in writing, enclosing a full curriculum vitae including salary details, and quoting reference 046A, to the Response Manager, Barkers Response and Assessment, 30 Farringdon Street, London EC4A 4EA.

Your CV will be forwarded to this client only. Please indicate any company to which your details should not be sent.

LONDON TEL 071-306 0678
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BARKERS
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RECRUITMENT ADVERTISING
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EMPLOYER COMMUNICATIONS

MERIDIAN

SENIOR FX TRADER

Our client, a major European bank, is looking to hire a senior FX trader to join their expanding US$ /SFr team.

The ideal candidate will have approximately five years' experience in the FX markets and will have had exposure to Options, Swaps, Deposits, FRA's, and Spot trades. You will also have worked in more than one financial centre and be accustomed to high-volume business.

You must be a team player who enjoys a pressurised environment and has a broad knowledge of the financial markets. Fluency in German and French is essential.

This is a career opportunity for an individual with a strong personality and a high level of numeracy. Evidence of computer literacy is important.

Please forward your c.v to Sarah Turnbull.
Closing date for applications: 2nd August 1994

25 Museum Street, London WC1A 1JT. Fax: 071 487 3018

RECRUITMENT CONSULTANTS

COMPLIANCE CLERK

To administrate and ensure full Fimbra compliance (soon SFA) at very small, friendly expanding City Brokers. Suit person with proven all round "back-office" experience requiring a hands on position and excellent salary. C.V. + phone to Allen Jackson, Silkbarn plc, 65 London Wall, London EC2M 5TU.

APPOINTMENTS WANTED

INVESTMENT DIRECTOR/ STRATEGIST/MARKETER

Well experienced international Investment Director with proven track record seeks dynamic challenge for next ten years within field of fund management global strategy / marketing, either private clients or institutional. Used to working in and motivating a team. Would also consider start-up situation.

Write to Box A2121, Financial Times, One Southwark Bridge, London SE1 9HL.

FX/Derivative Traders

Major expansion of dealing activities of leading City-based institution requires additional traders. You should be young, dynamic and have experience trading major EMS currencies or derivatives. A minimum of 3-5 years experience with good market contacts. Send C.V. and details of current remuneration to:

P.O. Box A2122, Financial Times, One Southwark Bridge, London SE1 9HL.

HELPING THE GAS INDUSTRY TO MOVE ALONG NEW LINES,
HELPING YOURSELF TO DEVELOP NEW INSIGHTS

Economics Directorate Manager

£25,000 - £35,000 – London

OFGAS, the Government Department created to shape and guide the future of the British gas industry, is now looking for a talented industry-professional to join their Economics Directorate in the senior role of Manager.

The Economics Directorate is responsible for taking forward the recommendations resulting from the Monopolies & Mergers Commission Inquiry into the British Gas monopoly and the British gas industry as a whole. This includes the responsibility for implementing price controls on transportation and supply which are due to take effect in 1997.

As a Manager of the Directorate, you will be providing quantitative and analytical support, particularly for the introduction of market competition into gas supply, as well as playing an important part in helping to develop new pricing regimes for gas transportation and supply.

Most probably a graduate with excellent analytical and quantitative skills, you must have a good knowledge of the Gas industry combined with the ability to quickly develop an in-depth understanding of the current British Gas transportation and storage systems. A knowledge of pricing for access to a transportation system would be a distinct advantage.

Apart from the satisfaction to be gained from playing an active part in re-shaping one of the UK's major industries, this could be an important career move enabling you to be at the very heart of the future of the gas industry.

This appointment is for three years with the possibility of an extension and relocation expenses will be considered.

For further details and an application form (to be returned by 19th August 1994), please write to Recruitment & Assessment Services, Alencon Link, Basingstoke, Hampshire, RG21 1JB or telephone Basingstoke (0256) 468551 or fax (0256) 846660/846374.
Please quote reference: B/2236/95.

An equal opportunities employer.

OFFICE OF GAS SUPPLY
OFGAS

RAS

CHANGE MANAGEMENT

A Leading Consultancy Role
Back Office Operations – Investment Banking

Thames Valley — Significant six-figure package

Our Client is one of the best-known and most respected names in its field. A fast-growing, highly innovative Management Consultancy, it has an outstanding track record for delivering dramatic, measurable performance improvements for its clients. A recognised pioneer in change management and in the techniques of Business Process Re-engineering, it has earned a strong following in the Financial Services industry.

You will be expected to play a pivotal role in managing the design and implementation of projects – principally in the investment banking sector – to dramatically improve the cost base and operational efficiency of back office operations. The current focus is likely to include settlement, exposure and portfolio management methods and issue authorisation, moving towards the 'middle office' approach. In addition to managing the structure and delivery of major projects, you will be clientfacing at the highest level, acting as a 'centre of excellence' in your field of specialisation.

A graduate professional or MBA, you will have developed a wide working knowledge of the main information needs and flows in the sector. You are likely to have specified and managed the implementation of at least one major project or change-management initiative in the above areas. You are also likely to have strong IT appreciation at the user-specifier and macro system-function levels. Your practical, pragmatic flair will be balanced by mature communication, leadership and motivational styles.

The informal, unbureaucratic working environment stretches, exhilarates and offers unrivalled opportunities for earnings growth and personal development. Please write initially to us, as Selection Advisers, quoting reference number 9437. We will ensure the total confidentiality of your response.

LICHTIN Associates

Lichtin Associates Ltd.
Coltry House
6, Evelyn Road
Worthing, West Sussex
BN14 8AY
Fax: (0903) 218334

Canada Life Assurance, with worldwide assets exceeding £10 billion and a triple-A rating with Standard & Poor's, is relocating its Equity Department to the City in September and has an immediate vacancy for a

FUND MANAGER

Reporting to the Equity Manager and forming part of a talented and professional Investment Department, you will form part of our UK equity team. You will be expected to make a strong contribution to a team-based UK sector and stock selection process, including management of specific portfolios, and will also spend part of your time specialising on a more personal basis on either income or smaller capitalisation stocks.

To succeed you will be a graduate calibre individual with a minimum of two years' relevant experience in institutional UK equity management, and the desire to retain or achieve involvement across the full span of market sectors and capitalisations.

We offer a competitive salary dependent on ability and experience, including a substantial performance-related bonus and other benefits associated with a major financial organisation.

In the first instance please write in confidence with full personal and career details including current/last salary levels and benefits package to: Mrs J Taffi, Personnel Department, Canada Life Assurance, Canada Life Place, High Street, Potters Bar, Herts EN6 5BA

Canada Life

TRAINEE MANAGER

2 individuals aged 23-35, with sound academic background required. Experience not necessary but the ability to assimilate on both a technical and conceptual level is essential. Potential to progress to senior managers with full profit participation in 2 to 3 years.

Call: John Groszek on 071-240 4943

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ACCOUNTANCY COLUMN

Creative catch from Atlantic's muddy waters

Andrew Jack on a report that highlights one of the most extraordinary corporate episodes of the 1980s

The story of Atlantic Computers began with all the continent-bridging energy that the name of the company implies, and ended up unceremoniously drowning directors, investors and advisers alike.

Last week's highly critical report from Department of Trade and Industry inspectors (an investigation itself costing a gargantuan £6.5m spread over four years) highlights one of the most extraordinary corporate episodes of the 1980s.

Atlantic w s founded in 1975 to provide leasing, lease-financing, broking, and the sale of computers. It would order computers, arrange lease terms and sell them to customers with benefit of leases. It was floated in 1983, and by 1988 was gobbled up by British & Commonwealth, the listed financial services group, for £408m. Two years later, both Atlantic and its new parent had collapsed.

Including additional money injected since 1988, B & C had made an investment of £485m – or nearly half of its assets – by April 1990, when it was rewarded by the suspension of its shares and the appointment of administrators.

Between 1983 and 1988, Atlantic had reported aggregate pre-tax profits of £127.6m. According to the DTI's two inspectors, had it been accounting prudently, it would have reported no significant profits at all.

The inspectors conclude: "Throughout its life Atlantic employed a number of commercial and accounting devices to increase its reported profits and postpone impact of its contingent liabilities".

The root cause of Atlantic's problems, they argue, was a simple business one: the lack of commercial viability of its core product, known as Flexlease. The company was able to keep these troubles concealed by the way in which it accounted for profits and failed to make provision for the contingent liabilities it incurred.

From the late 1970s till the mid 1980s, accounting rules and capital allowances in the UK "were favourable for leasing as opposed to other forms of financing", as the inspectors euphemistically put it.

Flexlease offered a six-year lease, with the scope for two options: "flex" (allowing renegotiating for a new agreement after three years) and "walk" (to terminate the lease after five years). The options gave rise to large potential liabilities.

The inspectors say that Atlantic's directors counted on the gross liabilities of the leases being reduced by earnings on replacement leases. Future profits were anticipated to cover current losses which were not provided for in the accounts.

This was, they say, "an unsound basis for a long-term business". It was only viable if there was a sound basis for believing that the future residual value of returned computer equipment would at least equal the cost of meeting the outstanding lease obligations at the flex and walk points in the lease. The past pattern of depreciation suggested otherwise.

The inspectors say there was also "an element of commercial deception" inherent in the arrangement. The walk option was a clear obligation, but the flex option was worded in a way to apparently suggest there were contractual rights to exchange equipment when these were probably legally unenforceable.

So Atlantic reported the gross margin in full as profit in the year each lease was sold. It made no advance provision for potential liabilities attached to the flex or walk obligations. It also offered no disclosure of the walk obligations in the accounts, while the flex obligations were noted but their magnitude not included.

These two elements rendered Atlantic's accounting policies "imprudent", and meant that the accounts were not "true and fair" at least since 1983 and possibly since the commencement of the company. It was, in short, able to report substantial, fast-growing profits while large potential liabilities were built up but not disclosed. By early 1989 the gross potential (and unrecorded) liabilities of the walk options were £160m.

The report suggests that the Atlantic directors also indulged in a catalogue of other creative accounting devices. They reported as profit the estimated value of residual interests in leased computer equipment. They used "artificial" routes to justify the accounting for the acquisition of two businesses, ICA and Comcap, and created a company with inadequate records for monitoring.

Atlantic postponed its contingent liability problem through a wide range of techniques. It adjusted the treatment of its own-book leases financed by hire purchase. It used two ways to generate incorrect accounting for transactions close to the year-end.

First, it mismatched revenue and costs by failing to record all costs connected with a transaction in the year in which they were reported and by backdating transactions. Second, it employed duplicate acceptance notes on leases, with the date left blank or typed in after customer signatures.

Between 1981 and 1988 it made five prior year adjustments, "the common theme being a resulting benefit to reported profits", as the inspectors say: through stock adjustment, changes to "unsound" or "illegitimate" accounting policies.

When the size of Atlantic's liabilities emerged in 1989, the directors decided not to tell the auditors. The 1988 accounts required a provision for walk obligations of £175.9m. The inspectors say that much effort went into seeking an "accounting solution" to deal with liabilities without damaging current profitability.

Wherever there is questionable accounting, the spotlight needs also to turn to the auditors, of course. The report provides intriguing insights into the way in which Atlantic and B & C handled a number of large firms of accountants.

In fact, many of the problems with Atlantic's accounting were picked up: in a draft report at the time of Atlantic's flotation by Price Waterhouse, for example – and in work conducted by KPMG Peat Marwick after it took over as auditor to Atlantic. What is worrying is how such danger signals were able to be concealed for so long.

In 1982, Atlantic indulged in some "opinion shopping" with three firms to support accounting policy on leases. Two – Arthur Young and Deloittes – supported its existing stance, and their views were used to bolster its position.

The company clearly put considerable pressure on Spicer and Pegler, its auditor from 1983 till 1989, and now part of Touche Ross. At one point in 1982, a draft report from Spicer, which included the comment "there exists a contingent liability", was amended in the final version to read "there exists a possible contingent liability" with additional wording that no such actual liability existed.

Atlantic's directors showed evidence of bullying their auditors. Internal memos also suggested that they were worried that a switch to another firm of auditors might reduce the "flexibility" adopted by Spicer.

The inspectors say that Spicer, in turn, failed to develop a sufficiently deep relationship with the company.

The firm had unrestricted access to the company's records, and should have been aware of scale of the walk clauses. Instead, it seemed prepared to accept the directors' assurances that no more than 5 per cent of the lease contracts had such clauses. The true figure was nearer to 90 per cent in some years.

The inspectors suggest that Spicer provided weak auditing which allowed Atlantic's accounting to go unchecked. There were numerous deficiencies in planning for successive audits, and shortcomings in carrying out the work.

It will be intriguing to see if any disciplinary actions follow from the Atlantic debacle. It will be still more interesting to see whether the profession and business heeds its lessons.

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North London

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Interested applicants should write enclosing a comprehensive curriculum vitae and daytime telephone number to Nigel Milford, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH, quoting ref: 190634.

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- Ability to work to tight deadlines
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To be considered for this challenging and interesting position, please write with full CV to A. Rye, Riley Confidential Reply Service, Riley House, 4 Red Lion Court, Fleet Street, London EC4A 3EN.

All replies will be treated in the strictest confidence; please list separately any companies to whom your details should not be forwarded.

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Please send a full CV to: Reeve Hepburn, The Strand, 14 Buckingham Street WC2N 6DF.

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Big Gatt 'winners' on the look-out for backsliding

Having already seen some of the 1992 Blair House provisions pared back, Australian farmers fear there may be more dissipation of benefits before the Uruguay Round deal is implemented, writes **Nikki Tait**

Australia's farm sector has been touted as one of the big winners from the settlement of the General Agreement on Tariffs and Trade. For many products, the country is an efficient, low-cost producer. It would, therefore, seem a natural beneficiary of freer trade.

To hear local farmers talk, however, no one would believe it. They have already seen some of the 1992 Blair House provisions pared back. Now the fear is that more dissipation will follow during the long period leading up to the full implementation of the Uruguay Round settlement.

Potential environmental obligations, which reflect Europe's confined habitat and are less applicable to Australia's vast expanses, or manipulation of base levels from which subsidy reductions will be calculated are just some of the issues cited.

"It's all very nice, what's happened – but now we've got to watch how it's executed," says Mr Bob Lawrence, at the New South Wales Farmers' Association.

Mr Graham Barron, a grain-farmer from Ungarie, is even blunter. "The spirit of Gatt should be adopted immediately, yet stocks are being dumped, even now, by the US and Europe" he alleges. "The lead-in will be bumpy and we're not going to get immediate remedies."

The much-cited headline figure for the benefit of the Gatt agreement to Australia's farm sector is a A$900m-A$1bn boost to annual agricultural exports. Set alongside total rural exports, excluding processed food, of A$9.72bn in 1992/3, this is plainly an impressive number.

It should be treated with some caution, however. The estimate comes from two separate econometric models, employed by the Australian Bureau of Resource Economics, a government forecasting agency, and by the Industry Commission, the statutory authority that advises federal government on assistance to the private sector.

> 'The spirit of Gatt should be adopted immediately, yet stocks are being dumped, even now, by the US and Europe'

In both cases, the A$1bn figure applies only when the provisions of the Uruguay Round are fully implemented – that is, after 2001. Moreover, while the models differ in their general scope, both look only at the "marginal" change to exports at current farm prices. They do not attempt to estimate what the value of additional exports will be at prices ruling in the year 2002, what new competition might enter the market, and so on.

These caveats aside, the models anticipate that the gains will come from three sources. First, there will be a reduction in subsidised exports from the US and European Union. Secondly, there is the promise of improved access to markets which are protected at present. Thirdly, the requirement that domestic support funds – that is, government funds which are used to subsidise farm production and incomes – be cut by a fifth should also help to address the problem of overproduction. That, at the very least, should stabilise world prices generally, and could push them higher.

According to the Abare model, all sectors of the Australian farm sector stand to get some benefit. But the gains will not be spread evenly. In absolute terms, the biggest winner is the beef industry, where producers can expect to receive a A$340m annual export boost by the end of the six-year implementation period. Next comes the wheat industry, which should see a further A$250m-worth of exports. The dairy industry is forecast to enjoy a A$125m benefit; coarse grains, A$90m; sugar, A$40m; rice, A$25m; and sheepmeat, perhaps A$20m.

Not surprisingly, Australian politicians crowed when the deal was finally struck on December 15. Mr Paul Keating, the prime minister, said his country would benefit from "enhanced market access and more predictable market conditions". Trade officials, meanwhile, sighed with particular relief when the European Union reaffirmed the Andriessen Assurance, an undertaking given by the former European Community agriculture commissioner, Mr Frans Andriessen, that the EC (now known as the EU) would not export subsidised beef to North Asian markets of considerable value to Australia.

In large part, farmers' representatives agreed: "Improvements in market access will deliver considerable gains to farmers," commented Mr Graham Blight, president of the National Farmers Federation. Even on December 15, however, reaction from the farming sector was less than euphoric, with negotiators expressing concerns over some of the last-minute additions to the deal.

Mr Philip Eliason, then deputy director of the National Farmers Federation and closely involved with the Gatt talks, says that haggling over the timing and starting-dates for adjustments to export subsidies, and the extension of the period during which the so-called "peace-clause" could protect subsidisers from Gatt action, were both big negatives.

"These were elements which will set back the delivery date of benefits to the Australian farming sector," he comments.

At farm level, reaction to the Gatt deal has been even more equivocal, and varies significantly according to the type of agriculture involved. Even cattle farmers are cautious. Mr Frank Austin, a cattle-producer from Adelong, who has some 400 breeding cows on a 1,400-hectare property, acknowledges that his industry will see some real gain from the enhanced market access but thinks that Australian farmers will have their work cut out trying to maximise the opportunities.

"I see the agreement as an advantage. It's formalised the Andriessen Assurance, which was previously only a verbal agreement, and we will get increased access to the US. I guess the rationalisation of production in Europe will also reduce the pressure worldwide," he says.

"But there still needs to be a very serious emphasis on quality in Australia, and we need to reduce processing costs. We need to address freight and non-farm costs. We need to look at the international marketplace and be aware of what we're producing and for whom. We must be far more targeted."

Already, he worries that Australian farmers are losing out to their New Zealand counterparts.

For grain-farmers, like Mr Barron, the agreement is also a plus, but falls way short of aspirations.

"A few years ago, we had really low commodity prices for nearly all grains, and most farmers were in a very tight financial situation. Gatt was seen as a light at the end of the tunnel," he says.

Since the Blair House accord, however, "the watering down and delayed start makes it a step in the right direction, but not a windfall". Like his counterparts in the cattle sector, Mr Barron thinks that Australian farmers will need to concentrate on quality and find ways of reducing non-farm costs if they are to seize the market openings that Gatt throws up before rival producers steal a march.

And in farming sectors where the promised export boost is smaller and current problems still pressing, the gains can seem even more remote.

"The average wool-grower's perception is that there's something there of value, but it will probably be dissipated before we get to it," says Mr Charles Armstrong, a New South Wales sheep-farmer and president of the Wool Council of Australia, for example.

Mr Eliason thinks that Australian farmers are probably right to be wary.

"While the Uruguay Round improves the unfair trading situation, there's still the test of fair trading," he says, noting that countries like Hungary, East Germany or even the Ukraine could have the potential to become significant players at some stage in the future.

"Gatt's no panacea – it will just compel competitive forces even further."

Bumper Queensland sugar output set to topple Cuba from pole position

Australia is set to become the world's biggest raw sugar exporter this year, with a high sugar content cane crop in Queensland expected to push output beyond the forecast 4.4m tonnes, reports Reuters from Brisbane.

The state's sugar output is likely to rise to over 4.6m tonnes according to the Canegrowers group.

Mr Ian Ballantyne, Canegrowers general manager, said that the signs after a month of harvesting indicated that the record crop of 32m tonnes of cane had above average sugar content and would beat earlier sugar production forecasts.

"We have seen around a 10 per cent increase in the actual size of crop but about 15 per cent increase in the content of sugar," he said. "We definitely have 4.4m tonnes of sugar there but probably more."

About 85 per cent of Australia's raw sugar is exported with 3.36m tonnes going overseas last year. This made Australian sugar exports the world's second largest after Cuba's 3.6m tonnes.

Australia is hoping to take the number one position this year with a third successive good crop and with Cuba's sugar production falling to about 4m tonnes.

Last year Queensland produced 4.02m tonnes of sugar with the only other growing state, New South Wales, producing its annual average of around 200,000 tonnes.

"There is just no question that the 1994 growing season will produce a very good crop of sugar after a bit of a ragged start," Mr Ballantyne said.

So far, only about 20 per cent of the country's crop has been harvested.

Pechiney aluminium plan wins Russian government support

By Kenneth Gooding, Mining Correspondent

Pechiney of France has won Russian government support for a scheme to modernise gradually the Siberian aluminium smelters – Krasnoyarsk, Bratsk and Novokuznetsk – which between them account for about half of Russia's aluminium production capacity but are among the world's heaviest polluters.

Mr Bernard Legrand, head of Pechiney's aluminium activities, said that a start would be made at Krasnoyarsk with a "module" of 250,000 tonnes of annual capacity to replace outdated existing tonnage. Arranging finance for this, an estimated US$400m to $500m, and completing detailed engineering studies would take 18 months to two years and construction another two years.

Then a 250,000-tonne module would be built at Bratsk which, like Krasnoyarsk, has an annual capacity of 800,000 tonnes. Both are producing below that rate. He hoped this step-by-step process would continue until capacity at all three smelters had been modernised.

Mr Legrand said that he was assured at a meeting with the Russian prime minister, Mr Victor Chernomyrdin, that he had the Russian government's support for the project. "I am pretty confident things will work out, but it won't be easy," he added.

Pechiney will work with Morgan Grenfell, the merchant bank, which will have to find a way to put together a bankable international finance package, while Bechtel, the US civil engineering group, will do detailed studies to see that as much Russian equipment as possible is used.

Mr Legrand said Pechiney's involvement sprang from the recent multi-lateral trade agreement between the big aluminium producing countries when western governments pledged to offer technological help and finance to the Russian industry if it would join in the international efforts to cut output temporarily to bring the aluminium market back into balance.

Danes ease oil licence terms

By Hilary Barnes in Copenhagen

Denmark has eased the terms on which oil companies are invited to apply for licences to explore for hydrocarbons in the Danish sector of the North Sea in the country's fourth licensing round.

The new terms have been approved the Folketing (Parliament) energy committee.

Compared with the third licensing round in 1989, they have been altered significantly: no royalty payment is required; companies will not be required to apply for low as well as high risk acreage; there will be no right of first refusal to buy oil and gas by the state oil distribution company; and no special requirements concerning research, development and training.

There will be obligatory 20 per cent state participation, but the state oil company, Dansk Olie og Naturgas, will pay its share of the exploration costs and there will be no sliding scale allowing the state company to increase its share if a commercial find is made.

The acreage opened in the fourth round is in the extreme western tip of the Danish area, adjacent to areas where finds have already been made.

Output from the Danish fields last year reached 9.3m tonnes of crude oil, plus 4m tonnes oil equivalents of gas, slightly more than Denmark requires for its own needs.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1426.5-27.5	1454-55
Previous	1413.5-14.5	1442-43
High/low		1465/1435
AM Official	1422-23	1449-49.5
Kerb close		1452-53
Open int.	287,109	
Total daily turnover	60,140	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1445-50	1455-60
Previous	1430-35	1450-55
High/low		1465/1450
AM Official	1445-60	1455-60
Kerb close		1455-60
Open int.	2,773	
Total daily turnover	920	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	583-84	599-601
Previous	568-69	585-86
High/low		601/590
AM Official	575-76	593.5-94.0
Kerb close		600-1
Open int.	41,464	
Total daily turnover	4,986	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6130-40	6220-30
Previous	6100-10	6190-200
High/low	6106/6105	6300/6170
AM Official	6106-10	6195-200
Kerb close		6300-305
Open int.	56,744	
Total daily turnover	7,631	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5190-200	5260-70
Previous	5180-90	5255-60
High/low		5285/5220
AM Official	5170-80	5245-50
Kerb close		5280-85
Open int.	18,132	
Total daily turnover	3,484	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	938.5-39.5	960-62
Previous	926.5-27.5	950-51
High/low		969/945
AM Official	924.5-25.5	948.5-49.0
Kerb close		965-66
Open int.	104,100	
Total daily turnover	23,142	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2409-10	2416-17
Previous	2392-93	2408-9
High/low	2408	2446/2400
AM Official	2408-9	2411-12
Kerb close		2417-19
Open int.	241,317	
Total daily turnover	73,921	

■ LME AM Official £/$ rate: 1.5367
LME Closing £/$ rate: 1.5335

Spot:1.5315 3 mths:1.5293 6 mths:1.5284 9 mths:1.5259

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open Int	Vol
Aug	109.90	-0.80	110.20	109.10	768	186
Sep	110.30	-0.85	110.60	109.30	29,983	2,324
Oct	110.25	-0.75	110.25	108.70	420	1
Nov	110.00	-0.80	-	-	322	112
Dec	109.80	-0.85	110.00	109.00	10,782	1,648
Jan	109.50	-0.90	-	-	341	-
Total					48,735	4,849

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	387.10-387.50	
Opening	387.10-387.50	
Morning fix	387.35	252.378
Afternoon fix	387.10	252.396
Day's High	387.50-387.90	
Day's Low	386.30-386.70	
Previous close	388.20-388.60	

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3 months	4.18		

Silver Fix	p/troy oz.	US cts equiv.
Spot	347.95	533.25
3 months	352.25	539.10
6 months	357.10	546.20
1 year	369.25	563.00

Gold Coins	$ price	£ equiv.
Krugerrand	392-395	256-259
Maple Leaf	398.30-400.80	
New Sovereign	91-94	59-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open Int	Vol.
Aug	384.8	-2.9	387.7	384.3	4	4
Sep	386.4	-2.9	-	-	26,997	37,450
Oct	388.0	-2.9	390.9	387.8	1	2
Dec	391.2	-2.9	394.1	391.0	9,138	4,568
Feb	394.6	-2.9	397.3	396.9	64,669	25,926
Apr	398.1	-2.8	-	-	10,505	60
Total					180,241	68,381

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open Int	Vol.
Oct	425.5	-4.8	435.4	423.0	24,535	5,367
Jan	428.7	-4.8	435.5	428.0	2,399	76
Apr	432.2	-4.8	439.0	432.2	1,787	4
Jul	436.2	-4.8	-	-	1	-
Oct	440.2	-4.8	-	-	1	-
Total					28,695	5,447

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open Int	Vol.
Sep	151.35	-2.60	153.50	151.25	4,863	380
Dec	150.10	-2.60	152.50	150.10	1,299	100
Mar	149.60	-2.60	151.50	149.60	181	10
Total					6,343	490

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open Int	Vol.
Aug	533.7	-1.8	-	-	21	14
Sep	535.2	-2.0	540.5	533.0	-	-
Dec	542.5	-2.0	548.0	540.0	77,690	19,365
Jan	544.1	-2.0	-	-	24,234	972
Mar	550.6	-2.0	553.0	548.5	33	-
May	556.0	-2.0	-	-	6,660	16
Total					121,398	20,372

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open Int	Vol
Sep	19.41	-0.05	19.55	19.41	100,691	51,162
Oct	19.10	-0.05	19.21	19.10	52,696	23,138
Nov	18.98	+0.01	19.02	18.98	30,729	9,200
Dec	18.81	-0.03	18.89	18.81	48,050	8,469
Jan	18.77	+0.02	18.78	18.78	20,639	2,845
Feb	18.70	-0.05	18.70	18.70	11,775	696
Total					393,391	98,300

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open Int	Vol
Sep	17.92	+0.03	17.99	17.83	71,905	34,533
Oct	17.73	+0.08	17.77	17.65	30,342	12,005
Nov	17.63	+0.05	17.63	17.55	11,636	1,429
Dec	17.51	+0.02	17.51	17.50	15,757	348
Jan	17.65	+0.16	17.65	17.52	5,735	784
Feb	17.55	+0.19	17.55	17.43	2,781	146
Total					147,559	48,451

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open Int	Vol
Aug	50.40	+0.01	50.55	50.20	12,071	11,388
Sep	50.80	-0.07	51.05	50.70	30,688	12,886
Oct	51.75	-0.07	52.00	51.65	13,491	2,470
Nov	52.85	+0.08	52.95	52.80	10,808	1,087
Dec	53.70	-0.02	53.90	53.70	22,428	3,465
Jan	54.40	+0.08	54.45	54.40	12,849	1,035
Total					126,729	33,313

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Aug	157.00	+2.75	157.00	153.75	23,190	6,005
Sep	159.75	+2.25	160.00	158.75	19,730	4,569
Oct	162.75	+1.75	162.75	160.25	14,510	1,179
Nov	164.50	+1.25	164.75	162.75	10,217	717
Dec	166.25	+1.00	166.25	164.50	15,098	556
Jan	167.50	+1.00	167.50	166.75	8,223	948
Total					99,535	14,407

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open Int	Vol
Sep	1.882	+0.019	1.870	1.842	26,246	4,877
Oct	1.935	+0.014	1.940	1.920	12,870	3,439
Nov	2.068	+0.012	2.070	2.055	9,636	851
Dec	2.210	+0.011	2.215	2.195	14,814	2,618
Jan	2.220	+0.003	2.225	2.215	9,941	1,258
Feb	2.145	+0.005	2.147	2.135	6,233	827
Total					116,279	15,138

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open Int	Vol
Aug	57.28	-0.68	58.20	57.20	14,800	13,010
Sep	56.70	-0.30	57.25	56.60	40,799	17,867
Oct	54.45	-0.15	54.80	54.40	10,188	4,987
Nov	52.45	-0.02	52.65	52.45	8,889	1,612
Dec	57.35	-0.07	57.35	57.30	5,891	498
Jan	56.60	+0.08	56.20	56.20	2,401	150
Total					83,820	28,024

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Sep	105.40	-0.75	106.25	105.40	365	37
Nov	106.20	-1.20	107.00	106.20	2,313	43
Jan	108.20	-1.35	109.25	108.15	1,590	71
Mar	110.00	-1.15	110.90	110.00	678	10
May	111.90	-1.00	112.50	111.90	831	20
Jul	114.50	-0.25	114.75	114.50	147	10
Total					5,924	191

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open Int	Vol
Sep	331/4	-0/4	334/4	330/0	17,349	7,903
Dec	344/4	-1/2	348/0	343/2	32,137	9,954
Mar	349/2	-2/2	353/0	348/6	7,941	1,283
May	342/0	-3/0	348/0	342/0	363	109
Jul	328/6	+0/2	330/4	327/4	958	183
Dec	338/6	+0/2	-	-	2	-
Total					58,770	19,432

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open Int	Vol
Sep	216/0	-1/2	217/2	214/6	46,271	8,393
Dec	219/2	-	219/6	217/0	120,875	13,862
Mar	228/0	-0/2	228/6	226/0	24,204	1,370
May	234/4	-0/2	235/0	232/6	8,882	501
Jul	238/6	-	239/0	236/6	8,180	909
Sep	241/0	-0/4	241/2	239/4	587	30
Total					214,208	25,334

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Sep	104.45	-	-	-	93	-
Nov	105.50	-0.35	105.85	105.50	475	20
Jan	107.15	-0.35	107.50	107.15	38	11
Mar	108.65	-	-	-	38	-
May	110.25	-	-	-	1	-
Total					645	31

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open Int	Vol
Aug	584/6	-0/2	588/2	580/2	16,644	7,000
Sep	572/4	+1/6	577/0	567/6	12,782	2,828
Nov	564/0	+3/4	569/0	558/0	67,480	23,913
Jan	572/2	+3/6	576/0	566/0	10,351	1,324
Mar	580/6	+3/6	584/0	574/4	3,807	375
May	587/6	+5/6	590/0	581/4	3,383	946
Total					122,448	37,489

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open Int	Vol
Aug	23.97	+0.04	24.13	23.88	11,329	4,711
Sep	23.98	+0.12	24.10	23.82	20,347	6,871
Oct	23.67	+0.20	23.75	23.43	13,645	1,884
Dec	23.36	+0.24	23.45	23.08	37,475	7,477
Jan	23.35	+0.26	23.39	23.08	4,163	554
Mar	23.34	+0.24	23.37	23.05	4,238	876
Total					95,913	22,781

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open Int	Vol
Aug	177.3	+0.5	178.2	176.1	15,891	8,142
Sep	176.8	+0.8	177.7	175.5	16,881	4,718
Oct	176.2	+1.3	176.7	174.2	10,384	1,144
Dec	175.9	+0.7	176.9	174.2	28,532	5,440
Jan	176.8	+0.9	177.8	175.1	3,717	795
Mar	178.3	+0.5	178.9	176.8	4,045	697
Total					83,678	21,359

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Nov	150.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	209.0	-27.5	230.0	209.0	1,224	284
May	240.0	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					1,224	284

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open Int	Vol
Jul	1441	-1	-	-	512	-
Aug	1393	+3	1400	1393	836	26
Sep	1395	+5	1400	1395	321	40
Oct	1418	+3	1425	1418	574	30
Jan	1428	+3	1430	1428	261	10
Apr	1458	+9	-	-	102	-
Total					2,696	169

	Close	Prev
BFI	1440	1440

Wool
Opening auctions of the new selling season in Australia brought a fresh rise in wool prices this week, which continued and led to an increase in the newly based market indicator of 7 cents, to close at 681 cents a kg. This means an increase compared with the end of June of about 15 cents or 2.5%, though adjustments make exact comparisons difficult. Wool at other auctions this week, in New Zealand and of British wool in Bradford, showed a similar or greater advance. Traders still indicate resistance to higher prices from the retail end, despite the maintained upward trend and the relatively low level of wool prices on any long term comparison. Holidays now affect many of the leading wool processing countries in Europe but otherwise activity is good.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Jul	1071	-11	1089	1071	186	56
Sep	1077	-15	1101	1074	17,157	2,157
Dec	1088	-17	1111	1088	31,651	1,446
Mar	1110	-14	1127	1110	29,714	290
May	1119	-14	1138	1119	10,282	133
Jul	1126	-15	1141	1126	4,052	145
Total					107,585	4,238

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open Int	Vol
Sep	1445	-13	1457	1438	33,634	7,985
Dec	1489	-11	1499	1480	19,513	2,890
Mar	1526	-11	1527	1517	8,007	574
May	1544	-11	1545	1545	2,953	2
Jul	1564	-11	-	-	2,344	-
Sep	1584	-11	-	-	1,092	-
Total					73,335	11,426

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Jul 27		
Daily	1093.94	1071.75

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Jul	3435	-68	3525	3465	298	32
Sep	3458	-78	3535	3429	18,496	1,553
Nov	3428	-95	3515	3400	8,602	1,526
Jan	3413	-96	3505	3400	9,578	579
Mar	3392	-107	3480	3400	3,598	88
May	3386	-112	3395	3380	892	46
Total					41,475	3,824

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Sep	202.40	-8.55	208.50	200.00	19,552	6,223
Dec	206.25	-8.20	211.75	203.50	12,295	1,942
Mar	211.50	-8.00	215.00	211.50	5,107	186
May	213.30	-8.00	215.00	213.30	1,762	34
Jul	215.00	-8.00	-	-	337	17
Sep	216.75	-8.00	219.00	219.00	39	5
Total					39,317	8,414

■ COFFEE (ICO) (US cents/pound)

Jul 27	Price	Prev. day
Comp. daily	188.95	186.84
15 day average	196.78	195.64

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Oct	12.13	+0.07	12.13	11.95	1,400	286
Jan	11.82	-	-	-	-	-
Mar	11.95	+0.13	-	-	90	-
Total					1,490	286

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Oct	316.30	+1.10	318.50	313.00	10,902	458
Dec	314.80	+1.00	314.80	311.70	1,056	52
Mar	313.70	+1.10	313.80	310.50	4,198	148
May	313.10	+1.30	-	-	395	-
Aug	312.70	+1.20	312.70	309.50	356	8
Oct	299.90	+1.20	299.90	297.00	179	3
Total					17,078	669

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Oct	11.82	+0.10	11.86	11.57	65,675	5,558
Mar	11.79	+0.14	11.81	11.54	31,670	1,476
May	11.75	+0.17	11.75	11.50	6,506	117
Jul	11.69	+0.14	11.69	11.50	2,779	144
Oct	11.52	+0.10	11.52	11.39	1,173	13
Mar	11.45	+0.10	-	-	167	1
Total					107,976	7,309

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Aug	72.00	-	-	-	6,757	1,118
Oct	73.10	+0.07	74.70	72.70	28,862	3,972
Dec	72.63	-0.09	74.00	72.26	7,047	95
Mar	73.83	-0.22	75.05	73.60	4,226	78
May	74.40	-0.35	75.48	74.45	2,486	62
Jul	74.93	-0.31	75.90	74.60	387	5
Total					50,776	5,365

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Sep	95.35	+0.60	95.40	93.90	14,078	19
Nov	98.45	+0.35	98.60	97.50	3,268	159
Jan	102.20	+0.60	102.20	100.90	3,804	156
Mar	105.75	+1.05	105.00	104.25	2,405	19
May	109.75	+2.05	108.00	107.50	723	5
Jul	112.00	+2.30	112.00	110.00	184	-
Total					24,682	358

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jul 28	Jul 27	month ago	year ago
2122.3	2123.2	2083.3	1644.3

■ CRB Futures (Base: 4/9/56=100)

Jul 27	Jul 26	month ago	year ago
232.56	232.52	229.38	217.97

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Aug	68.350	-0.075	68.650	68.025	21,843	5,187
Oct	71.300	-0.225	71.625	71.200	25,671	5,172
Dec	70.550	-0.450	70.850	70.475	12,644	1,225
Feb	69.650	-0.450	69.975	69.600	10,011	1,054
Apr	70.675	-0.375	71.050	70.625	5,360	189
Jun	67.750	-0.175	67.950	67.750	1,230	12
Total					76,881	12,853

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Aug	45.950	-0.150	46.125	45.500	7,098	2,493
Oct	41.975	+0.350	42.200	41.250	11,802	3,058
Dec	41.375	+0.175	41.475	40.900	4,692	440
Feb	40.425	-0.175	40.800	40.350	1,585	146
Apr	39.600	-0.200	39.850	39.500	932	54
Jun	44.300	-0.125	44.300	44.050	-	-
Total					26,664	6,253

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Aug	27.625	-1.450	28.300	27.200	3,263	2,188
Feb	42.375	-0.100	43.350	42.300	4,678	1,297
Mar	42.500	-0.150	43.100	42.350	236	23
May	43.100	+0.100	43.100	-	42	10
Jul	44.200	+0.300	44.200	-	30	4
Aug	42.400	-	-	-	-	-
Total					8,255	3,528

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1425	55	96	28	47
1450	41	83	39	58
1475	30	70	53	70
■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
2400	77	105	51	102
2450	53	83	78	129
2500	34	65	108	160
■ COFFEE LCE	Sep	Nov	Sep	Nov
3600	160	355	302	527
3650	144	340	336	562
3700	129	326	371	598
■ COCOA LCE	Sep	Dec	Sep	Dec
1000	84	130	7	42
1050	48	101	21	83
1100	24	76	47	86
■ BRENT CRUDE IPE	Sep	Oct	Sep	Oct
1700	-	-	8	33
1750	61	75	18	53
1800	50	52	-	-

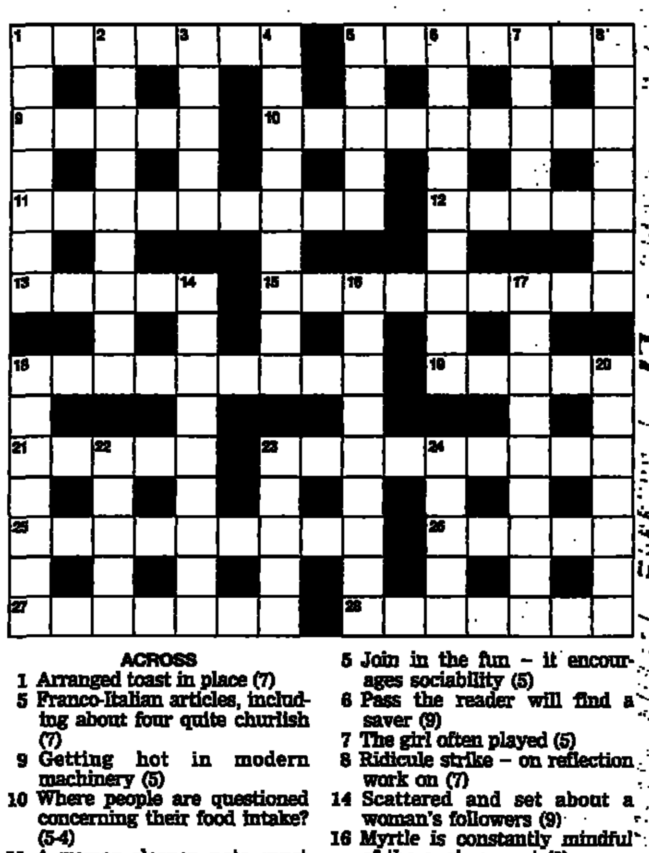
LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Sep)		+or-
Dubai	$16.76-6.86w	+0.125
Brent Blend (dated)	$17.95-7.97	+0.210
Brent Blend (Sep)	$18.10-8.12	+0.190
W.T.I. (1pm est)	$19.72-9.73w	+0.155
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$199-201	+3
Gas Oil	$156-157	+4
Heavy Fuel Oil	$88-89	-0.5
Naphtha	$165-169	+0.5
Jet fuel	$169-171	+3
Petroleum Argus Estimates		
■ OTHER		
Gold (per troy oz)♣	$387.30	-1.10
Silver (per troy oz)♣	535.50c	-1.00
Platinum (per troy oz.)	$422.25	-5.25
Palladium (per troy oz.)	$150.75	-1.45
Copper (US prod.)	116.0c	
Lead (US prod.)	37.75c	
Tin (Kuala Lumpur)	13.50m	-0.09
Tin (New York)	243.50c	-1.00
Cattle (live weight)†©	113.84p	-3.76*
Sheep (live weight)†♣©	84.72p	-9.57*
Pigs (live weight)©	68.12p	-2.50*
Lon. day sugar (raw)	$298.8	
Lon. day sugar (wte)	$343.0	-1.5
Tate & Lyle export	$307.0	-1.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	$143.5	
Wheat (US Dark North)	£180.0	
Rubber (Sep)♥	95.00p	-1.00
Rubber (Oct)♥	94.00p	-1.00
Rubber KL RSS No1 Aug	363.5m	+3.0
Coconut Oil (Phil)§	$580.0z	+17.5
Palm Oil (Malay.)§	$545.0q	+5.0
Copra (Phil)§	$405	
Soyabeans (US)	£179.0z	
Cotton Outlook 'A' Index	83.35c	-0.30
Wooltops (64s Super)	425p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Oct/Dec. q Aug. z Aug/Sep. w Sep. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♣ Sheep (Live weight prices). * Change on week. © Prices are for previous day.

CROSSWORD

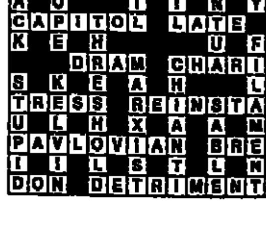
No.8,518 Set by VIXEN



ACROSS
1 Arranged toast in place (7)
5 Franco-Italian articles, including about four quite churlish (7)
9 Getting hot in modern machinery (5)
10 Where people are questioned concerning their food intake? (5-4)
11 A woman cleaner, note, must encompass a good deal (9)
12 Muse when there's time to (5)
13 Some loathe taking a letter (5)
15 Watches a series that causes the viewer distress (3-6)
18 Project for which the outlay required is five hundred (9)
19 Calls for personal adornment (5)
21 The measure of a top man (5)
23 Writing of oneself (9)
25 No longer daydreaming – the price is too great (9)
26 The place of a man north of the border (5)
27 Double-dealing and corrupt senator (7)
28 Vagrant given in charge after turning on maniac (7)

DOWN
1 Very acceptable petition (7)
2 Social workers are frequently taken in by them (9)
3 A model thought to be over fifty (5)
4 The clothing of retiring individuals (9)
5 Join in the fun – it encourages sociability (5)
6 Pass the reader will find a saver (9)
7 The girl often played (5)
8 Ridicule strike – on reflection work on (7)
14 Scattered and set about a woman's followers (9)
16 Myrtle is constantly mindful of the environment (9)
17 Take a quarter ounce in and this must be declared (9)
18 The river turned colour, then disappeared (7)
20 The person most reluctant to give credit (7)
22 Decline to cover the London area (5)
23 The odd coin's needed for young offspring (5)
24 A trainee member's fear (5)

Solution 8,517



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Treasury report helps calm interest rate nerves

By Terry Byland, UK Stock Market Editor

The favourable tone of the UK Treasury's monthly report calmed worries on interest rate prospects in the London stock market yesterday, and the FT-SE 100-share Index recovered more than 13 points in a determined attempt to regain the 3,100 level. The market was given a lead by strong gains in water industry stocks following an unexpectedly favourable pricing review from Ofwat, the industry regulator.

A new bid from J. Sainsbury for William Low saw shares in the Scottish supermarket group immediately outstrip the terms as speculators anticipated an aggressive response offer from Tesco, the original bidder.

At the day's best the FT-SE 100 was above 3,097, before closing at 3,095.9 for a gain on the session of 13.6. The September Footsie futures contract returned to a good premium, trading comfortably above 3,100 as the markets closed.

Equities moved uncertainly in the early part of the session, easing at first with other European markets and then losing most of an 11.8 gain on the Footsie. But a steadier trend in the pound and sterling futures had already calmed nerves to some extent when the UK Treasury commented that all the latest data indicated steady economic growth, with no sign of input pricing pressures.

Securities markets responded cautiously at first but gathered confidence in the second half of the session, helped by a brief upturn in British government bond prices.

A firm start on Wall Street, where the Dow Jones Industrial Average was 12 points ahead in UK hours, reinforced analysts' perceptions that global equities still have further to run before interest rate pressures become negative.

The strength of the water sector overflowed into the electricity stocks, which hoped for a similarly favourable regulatory climate to prevail in the power industry. The market had no immediate guide as to the implications of the rejection of Ofwat's ruling by South West Water.

Heavy turnover in William Low shares as they topped the Sainsbury offer reflected the market view that Low's pivotal position in Scottish markets will not be taken over without a battle between the two monarchs of the industry.

The final picture across the Footsie range was more mixed than the gain in the Footsie index suggested. Dollar stocks, including Glaxo, BAT Industries, RTZ and Reuters Holdings, were strong, and ICI moved forward after disclosing satisfactory first-half results, although with no change in the dividend payment. Oil shares were firmer in response to the dollar and the continued strength of crude oil prices.

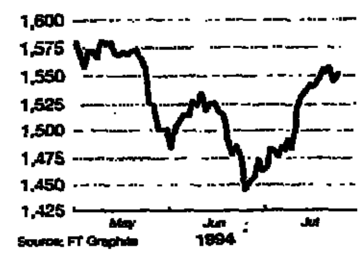
There was no great response from retail and consumer stocks to the easing of interest rate concerns. Banking shares continued to move confidently towards the profits reporting season, to be opened this morning by Lloyds Bank, and brushed off weakness in bank stocks in Germany in the wake of interim figures from Commerzbank and Deutsche Bank.

In general, however, strategists were wary of expressing over-optimism ahead of the report today of the US second-quarter gross domestic product statistics. Market forecasts for GDP growth have been moving higher all week, and analysts now warn that growth above 4 per cent would revive all the old fears of action by the US Federal Reserve.

Seaq volume increased to 657m shares, from 599.1m in the previous session; on Wednesday, retail business was worth £1.05bn, indicating that the interest rate worries dominating that session had inspired some selling pressure.

But non-Footsie stocks were more active yesterday, making up nearly 58 per cent of the day's business. The FT-SE Mid 250 Index gained 9.9 at 3,642.8 as investors continued to search out growth stocks.

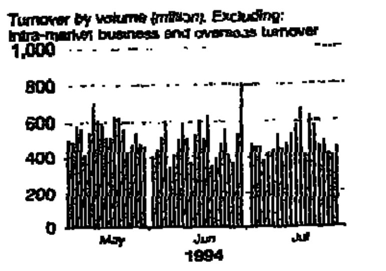
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3095.9	+13.6	FT Ordinary index	2399.1	+3.1
FT-SE Mid 250	3642.8	+9.9	FT-SE-A Non Fins p/e	19.54	(19.48)
FT-SE-A 350	1563.1	+6.2	FT-SE 100 Fut Sep	3103.0	+16.0
FT-SE-A All-Share	1550.60	+5.94	10 yr Gilt yield	8.66	(8.61)
FT-SE-A All-Share yield	3.83	(3.84)	Long gilt/equity yld ratio:	2.28	(2.27)

Best performing sectors

1 Water .... +4.4
2 Tobacco .... +1.6
3 Banks .... +1.3
4 Utilities .... +1.0
5 Extractive Inds .... +0.9

Worst performing sectors

1 Distributors .... -0.9
2 Transport .... -0.5
3 Engineering, Vehicles .... -0.4
4 Merchant Banks .... -0.4
5 Retailers, Food .... -0.3

Tesco riposte predicted

The bid battle in the food retail sector is expected to take a further twist, perhaps today, with Tesco widely predicted to counter yesterday's £210m bid from J. Sainsbury for William Low, the Scottish retailer.

Analysts were united in the belief that Tesco would return to the fray three weeks after making an agreed £154m offer for Low. A fresh bid of 350p a share was being mooted in the market, a move which would severely test Sainsbury's staying power in the battle for the Dundee-based grocer. However, others suggestions were of a more cautious 325p a share response. Sainsbury's cash bid is worth 305p a share.

Low shares surged forward on the early morning Sainsbury announcement, reflecting the market's instant assumption that Tesco would respond. They closed 44 ahead at 324p with turnover a record 11m. Trading in Tesco was also heavy. The shares retreated 7 to 233p on turnover of 15m, while Sainsbury added a penny at 411p on volume of 4.3m.

Waters up strongly

Ofwat, the water regulator, delivered the review many in the market were hoping for and sent water shares spurting forward as utility specialists upgraded profits and dividend forecasts.

Ofwat's recommendation on the "K" factor – the amount the water companies will be able to raise their prices above the rate of inflation – came in more or less in line with market expectations, with a lower than expected figure for capital expenditure over the next 10 years. Other issues, such as rates of return and dividend growth, were also considered to be leniently treated in the report.

Traders said there were hefty gains from the outset, with good buying support being maintained throughout the session. Among the perceived key beneficiaries of the report, Northumbrian jumped 30 to 527p, Southern 33 to 588p, Anglian 24 to 549p, North West 28 to 553p, Welsh 30 to 638p and Severn Trent 33 to 572p, with turnover there hitting 7.3m, the second highest recorded. It was a similar story at Thames, where volume reached 9.6m as the shares raced forward 24¼ to 515¼p. South West, the only company to appeal against Ofwat's findings, was also the only weak spot in the sector, losing 12 at 517p on busy volume of 3.3m.

Analysts upgraded forecasts for real dividend growth in the sector from around 2.5 per cent to 4 per cent per annum, with talk of the more bullish houses moving to 5 per cent. Hoare Govett predicted a further 10 per cent upside for shares, with strong recommendations on Welsh, Thames and Severn Trent. But NatWest Securities sounded a slight note of caution. Mr Andrew Wheeler at the securities house said: "Some companies might struggle to maintain aggressive dividend growth above the market rate."

Granada dilemma

Whispers were reaching the market that Granada Group, the television and catering concern fresh from its successful takeover of LWT, might be considering hitting the acquisition trail again. Gardner Merchant, the catering group sold by Forte last year to management and set to come to the market later this year, was being mooted as the most likely candidate, with a price tag of around £600m being attached.

Leisure analysts, while agreeing that the move would make strategic sense to Granada, said that it was unlikely given both its recent foray and Gardner Merchant's imminent flotation. "Granada would have to pay a lot to stop that happening," was the view of one seasoned professional. Forte, which will reap 25 per cent from any float, crept a halfpenny forward to 232p, while Granada managed a penny gain to 533½p.

ICI put on 4 at 837p after the UK's leading chemicals company released second-quarter figures above the range of analysts' forecasts and accompanied them with a strong statement.

The profits of £141m translated to a first-half gain of £234m, against forecasts of £205m to £225m. Sir Denys Henderson, the chairman, said: "This is the most tangible evidence yet that our customers are emerging from recession."

Forecasts for the full year shifted from a range of £400m to £450m to between £450m and £500m, but many analysts remained just holders of the stock, arguing that it was already expensive.

SmithKline Beecham fell as initial reports suggested that the US Food and Drug Administration's advisory committee had decided not to approve the company's best selling drug Tagamet as an over-the-counter treatment for heartburn.

The shares dropped 11½ to 408p but, after the market closed, SmithKline announced that recommendation had been given subject to one or two small points. It said that if those points were cleared up, the drug would not have to be referred back to the advisory committee.

News that Medeva, the pharmaceuticals company, had lost a significant European appeal case came too late to affect the shares, which ended steady at 134p. But one analyst said the decision to uphold the patent on a hepatitis B drug held by Biogen, of the US, could prompt a significant fall in the Medeva share price when the market opens today.

The hepatitis B vaccine is seen as one of the prime sources of Medeva's earnings growth in the next five years. Analysts had been looking for sales of around £30m next year.

News that conglomerate Hanson had made a £96.1m recommended offer for Scholes, manufacturer of electrical products, at 250p a share was not the blockbuster bid that many had expected. Analysts are looking for further acquisitions but some said that much depended on the strength of the dollar and its impact on the group's high level of dollar denominated debt. Scholes rose 57 to 250p while Hanson improved 3 to 258p the shares receiving further support from a recommendation by Nomura which urged investors to switch their holdings from industrial conglomerate BTR, which eased eased 2 to 370p.

Office equipment group Danka Business hardened 3 to 333p after reporting bumper first-quarter profits

Rolls-Royce advanced 7½ to 188½p, with investment bank Lehman Brothers reported to have been an aggressive bidder for stock in the second half of the session, to cover a position on a warrant issue.

Food processing equipment manufacturer APV firmed 2 to 114p after NatWest Securities upgraded profits expectations for the current year by £1.8m to £26.8m.

Motor dealer Lex Service, which reported disappointing figures on Tuesday, relinquished a further 10 at 437p.

MARKET REPORTERS:
Peter John,
Christopher Price,
Joel Kibazo.

■ Other statistics, Page 17

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (28).
CHEMICALS (1) Wolstenholme Rink, DISTRIBUTORS (1) Faber Prest, ELECTRNC & ELECT EQUIP (3) Dewhurst A, Scholes, Unitech, ENGINEERING (2) Booth Industries, Renold, ENG, VEHICLES (2) Automotive Precision, UPF, EXTRACTIVE INDS (5) Anglo Am. Coal, [illegible] ERGO, Western Areas, INVESTMENT [illegible] COMPANIES (1) Japan OTC Wrts., MEDIA (1) Intl. Business Comms., PRTNG, PAPER & PACKG (1) Sappi, RETAILERS, FOOD (1) Low (W), RETAILERS, GENERAL (1) House of Fraser, SUPPORT SERVS (2) Admiral, Real Time Control, TRANSPORT (1) All Nippon Airways, WATER (1) South Staffs.
NEW LOWS (49).
GILTS (8) BUILDING & CNSTRN (2) Birse, Donelon Tyson, BLDG MATLS & MCHTS (2) Eclipse Blinds, Sycamore, ELECTRNC & ELECT EQUIP (3) Industrial Control Servs., Milgate, Tunstall, ENGINEERING (3) Sillem (J), Metalrax, Protean, EXTRACTIVE INDS (2) Precious Metals Australia, Weinalla, HEALTH CARE (2) Bespak, Intercare, HOUSEHOLD GOODS (1) Jayes, INSURANCE (2) Independent, Lloyd Thompson, INVESTMENT TRUSTS (1) INVESTMENT COMPANIES (1) Spanish Smaller Co's, LIFE ASSURANCE (1) Transatlantic B 6pc Prf., MEDIA (4) Blenheim, Do 8.4pc Prf., WMGO, Do Wrts., MERCHANT BANKS (1) Barings 9⅝pc Prf., OTHER FINANCIAL (2) Intrum Justitia, London Forfaiting, PRTNG, PAPER & PACKG (1) Delyn, PROPERTY (1) Bolton, RETAILERS, GENERAL (3) Clinton Cards, Colorvision, Partridge Fine Arts, SUPPORT SERVS (3) Clinical Computing, OIS Intl. Inspection, Penna, TEXTILES & APPAREL (4) Allied Textile, Gent (SR), Leeds, Sirdar, TRANSPORT (1) Dawsongroup, AMERICANS (1) Whirlpool.

EQUITY FUTURES AND OPTIONS TRADING

A squeeze in stock index futures helped to reverse an initial decline as turnover in the derivatives returned to meagre levels, writes Joel Kibazo.

The opening of the September futures contract on the FT-SE 100 at 3,084 was below expectations and appeared to indicate that a dull session lay ahead. Within the first hour of trading the contract had fallen to a low of 3,074.

However, an aggressive buyer appeared at mid-morning, taking the market by surprise. September saw the earlier decline reversed and a gentle squeeze was seen as dealers attempted to fill the order. A more favourable outlook on inflation helped to maintain the momentum.

A firm opening on Wall Street, the strength of sterling and another bout of hectic buying by the morning's big trader brought a squeeze to the contract in the last hour which saw it climb to a day's high of 3,119.

Following a bout of profit-taking it closed at 3,103, a point ahead of its fair value premium to cash of about 7 points. Volume was 11,468 contracts.

Dealers reported a dull session in traded options, where a total of 24,372 lots had been dealt by the close. The FT-SE 100 option encountered business of 8,261 contracts, and among stock options HSBC closed well ahead with 3,814 lots traded.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3084.0	3103.0	+16.0	3119.0	3074.0	11468	52885
Dec	3109.0	3113.0	+16.0	3109.0	3109.0	100	3663

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3650.0	3640.0	+5.0	3650.0	3650.0	1	4499

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Sep	3640.0		636

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3095) £10 per full index point

Calls 1,228 Puts 169 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3450	3500	3550	3600	3650	3700	3750	3800
Apr				97¾ 38¼	69 59½	46½ 86½		

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	14,000	58	+1
Abbey National†	1,200	406	-2
Albert Fisher	5,200	45	+1
Allied-Lyons†	1,300	581	-2
Anglian Water	5,400	549	+24
Argos	559	358	+3
Argyll Group†	7,800	269½	-2½
Arjo Wiggins†	1,400	287	+1
Assoc. Brit. Foods†	147	573	+1
Assoc. Brit. Ports	522	261	-1

FT - SE Actuaries Share Indices — The UK Series

	Jul 28	Day's chge%	Jul 27	Jul 26	Jul 25	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3095.9	+0.4	3082.3	3117.2	3106.1	2917.8	4.04	6.80	17.40	78.15	1161.83
FT-SE Mid 250	3642.8	+0.3	3632.9	3641.1	3624.0	3273.0	3.39	5.68	21.17	81.01	1349.71
FT-SE Mid 250 ex Inv Trusts	3645.1	+0.3	3635.1	3642.9	3626.1	3285.7	3.54	6.15	19.71	84.52	1347.44
FT-SE-A 350	1563.1	+0.4	1556.9	1571.2	1565.2	1457.2	3.89	6.54	18.15	37.60	1200.41
FT-SE SmallCap	1832.78	+0.2	1829.59	1829.77	1825.24	1643.65	3.07	4.26	30.72	32.98	1413.55
FT-SE SmallCap ex Inv Trusts	1800.79	+0.2	1797.54	1797.84	1794.43	1639.11	3.25	4.71	28.36	33.91	1392.27
FT-SE-A ALL-SHARE	1550.60	+0.4	1544.66	1557.85	1562.07	1441.90	3.83	6.38	18.70	36.66	1211.32

■ FT-SE Actuaries All-Share

	Jul 28	Day's chge%	Jul 27	Jul 26	Jul 25	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2713.82	+0.2	2708.96	2725.20	2748.31	2236.00	3.35	4.32	29.11	47.41	1078.44
12 Extractive Industries(4)	3866.32	+0.9	3831.57	3870.62	3909.39	3110.90	3.29	5.21	24.05	54.24	1055.10
15 Oil, Integrated(3)	2670.61	......	2670.69	2685.79	2707.41	2179.20	3.45	4.43	28.09	50.54	1083.75
18 Oil Exploration & Prod(11)	1961.65	+0.4	1953.04	1963.77	1972.19	1828.40	2.48	1.24	80.00†	20.34	1124.74
20 GEN MANUFACTURERS(284)	2015.12	+0.2	2010.70	2026.63	2020.71	1824.90	3.77	4.60	26.70	46.29	1019.46
21 Building & Construction(32)	1199.18	+0.1	1198.57	1198.48	1193.57	1048.00	3.21	4.41	28.20	20.84	931.54
22 Building Matls & Merchs(31)	2010.84	+0.1	2009.30	2016.77	1993.59	1694.20	3.65	3.97	31.71	45.71	941.50
23 Chemicals(22)	2485.59	+0.5	2473.84	2482.50	2468.97	2174.20	3.73	3.88	33.05	58.23	1093.59

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied-Lyons	540	58	-	-	7½	-	-
(*581)	589	25	-	-	27	-	-
Argyll	260	24	30	35½	11½	17	20½
(*269)	280	13½	19¼	26½	22	27½	31
ASDA	50	10	12	15½	2½	4	5

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Hanson	240	20	24½	28	1	8½	9½
(*258)	260	3½	13	17	6	15½	19
Lasmo	134	11	18	-	1½	7½	-
(*142)	154	1½	7½	-	14	18½	-
Lucas Inds	180	16	23½	28	1½	9½	12½

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	4	63	4
Other Fixed Interest	0	6	9
Mineral Extraction	47	64	89
General Manufacturers	106	148	396
Consumer Goods	46	38	106
Services	72	109	329
Utilities	33	7	5

TRADITIONAL OPTIONS

LONDON RECENT ISSUES: EQUITIES

RIGHTS OFFERS

FINANCIAL TIMES EQUITY INDICES

FT GOLD MINES INDEX

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£21¾	—	£25¼	£20¼	8,420	5.1	φ
ANZ A$		187¾	-¼	278¾	179¾	2,633	4.9	29.4
Abbey National	N□	408	-2	523	381	5,336	4.3	13.5
Allied Irish I£	♣N□	255	—	314	234	1,680	4.9	9.8
Anglo Irish I£	♣N□	57	—	70	50	198.2	7.5	10.4
Asahi Y		808¼	+16	819¼	628	16,780	0.6	φ
Banco Bil Viz Pta		£15⅛	+⅞	£18⅞	£14⅛	3,467	5.6	6.6
Banco Sant Pta		£27½	—	£30½	£23¼	4,203	5.2	9.7
Bk Ireland I£	♣□	277	-2	319	246	1,308	4.7	8.0
Bank Scotland	♣N□	184	+2	247	172½	2,145	3.4	15.0
9¼pc Pf		116¼	-½	141½	114	116.2	9.9	-
9¾pc Pf		120½	-½	148½	119¼	128.5	10.1	-
Barclays	♣N□	545	+1	640	457	8,887	3.5	22.8
Dai Ichi Kan Y		£12⅞	+⅛	£12⅞	£10⅞	38,057	0.5	64.2
Deutsche DM		£288¼	-7½	£344¾	£270⅞	14,222	2.3	-
Espirito Santo		£18⅜	+⅛	£20⅞	£17⅞	200.7	4.2	4.6
First Nat Fin	N□	85xd	—	90	60	107.9	2.9	-
6.3pc Cv Pf		78xd	—	90	77	5.24	10.1	-
7pc Cv Pf		127xd	—	171	123	60.3	6.9	-
Fuji Bank Y		1471¾	-7¾	1549¼	1152½	42,637	0.4	φ
HSBC HK	N□	798	+20	1133	680	13,825	3.7	11.4
HSBC (75p Shs)	N□	778½	+22	1113	660	6,592	3.8	11.2
Lloyds	N□	582	+12	680	519	7,272	4.9	11.9
Mitsubishi Y		£17¼	—	£18⅞	£15⅝	46,171	0.3	φ
Mits Tst & Bk Y		1090	+16¾	1162¼	887½	12,690	0.5	16.1
Mitsui Tst & Bk Y		788½	-6¾	879	514	9,183	0.7	24.9
Nat Aust A$	†	527	-2¼	620¼	489¾	7,054	5.4	10.8
NatWest	N□	490	-4	622	421	7,587	5.1	10.4
Ottomane FFr		£23½	—	£33	£23½	117.5	6.2	φ
Ryl Bk Scotland	♣†N□	395	+2	528	377½	3,160	3.8	17.9
Sakura Y		£9¼	—	£9⅞	£8⅞	30,288	0.6	54.3
Sanwa Y		£14	+⅛	£15⅛	£11⅞	40,568	0.4	φ

CHEMICALS

	Notes	Price	+ or -
AGA SKr		65½	+½
Akzo Fl		£78¼	-1½
Allied Colloids	N□	278xd	+1
Amber Ind	N	73xd	+3
BASF DM		£127⅞	-⅛
BOC	♣N□	747xd	+2
BTP	♣N□	387xd	—
Bayer DM		£146⅞	-3⅛
Brent	N□	114	—
British Vita	N□	271	+1
Cambridge Iso $	♣	18	—
Canning (W)	♣N□	193	—
Cementone	♣N	69	—
Warrants		29	—
Courtaulds	N□	530xd	+7
Croda	N□	381	-1
Doeflex	♣N	68	—
Engelhard $		£15⅞	+⅞
European Colour	♣N□	55½	—
Gibbon Lyons	♣N	134	—
Hickson	♣N□	165	—
Hoechst DM		£140¼	-1½
Holliday Chemical	♣□	218	+4
ICI	N□	837	+4
Inspec	□	225	—
Kalon	♣N□	156½	+2
Laporte	♣N□	772	+2
MTM	♣□	71	—
Manders	N	348	—
McLeod Russel	N□	114	—
Metrotect Inds	♣N□	160xd	—
Perstorp SKr		£24⅞	-⅛
Porvair	♣N	304	—

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£27	.....	£27½	£13½	1,780	2.7	19.7
Barlow	Z	£4¹³⁄₁₆	+⅛	£5¹¹⁄₁₆	£3¹¹⁄₁₆	999.6	0.7	–
Gold Flds Prop R		112	.....	113	76	11.6	6.9	9.9
NK Props.	G	85	.....	95	85	3.42	10.5	34.9
SASOL	♥	403	.....	403	280	2,283	3.9	–
SA Brews		£12¾	.....	£15⅞	£10	3,524	2.2	20.8
Tiger Oats	†	637	.....	839	538	667.9	2.5	13.4
Tongaat-Hulett		693	.....	*739¾	427½	526.3	2.2	19.3

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- FT Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
o Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xt ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT2972. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Thornton Unit Managers Ltd - Contd.

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

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Scottish Life Investments

19 St Andrew Square, Edinburgh 031-225 2211

	Bid Price	Offer Price	+ or -	Yield Gross
Property	221.4	233.1		-
UK Equity	345.0	363.2	-0.7	-
American	240.2	253.0	+0.9	-
Pacific	375.9	395.8	-3.1	-
European	480.2	505.6	-4.8	-
International	312.2	328.3	-1.2	-
Fixed Interest	225.1	237.1	-1.5	-
Index Linked	184.9	194.6	-1.8	-
Deposit	191.9	202.1		-
Managed	282.2	297.1	-0.2	-
Worldwide	122.8	129.2	-0.9	-
With Profits Pens.	92.6	97.8		-
Pens. Property	259.3	273.6		-
Pens. UK Equity	413.6	435.7	+1.0	-
Pens. American	267.2	281.4	+1.0	-
Pens. Pacific	435.8	458.8	-4.2	-
Pens. European	580.3	610.9	-6.6	-
Pens International	370.6	390.2	-1.8	-
Pens. Fixed Int	284.3	299.4	-1.9	-
Pens. Index Linked	201.3	212.0	-2.1	-
Pens. Deposit	258.4	272.1		-
Pens. Managed	340.3	358.3	-0.2	-
Pens. Worldwide	130.4	137.3	-1.1	-

Scottish Mutual Assurance plc

109 St Vincent St, Glasgow 041-248 6321

	Bid Price	Offer Price	+ or -	Yield Gross
Flex. End Jul 12	1595.0	1644.3		-
Pen Sngle Jun 30	1229.1	1229.0		-
Safety Fund	228.1	238.1	-0.10	-
Growth Fund	227.6	239.6	+0.7	-
Opportunity Fund	221.2	232.9	+0.60	-
Worldwide Venture Fnd	182.3	191.9	-0.20	-
UK Equity Fund	238.2	250.8	+1.40	-
UK Smaller Cos. Fund	224.2	236.0	+1.8	-
European Fund	350.4	368.9	+0.40	-
Far Eastern Fnd	359.1	378.1	+0.60	-
Japanese Fnd	148.4	157.3	-1.60	-

[illegible]

Sun Alliance Group - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Pram Capital Tst.	232.8	248.1	+0.1	-
Pram Intnl. Growth	199.6	210.1	-1.0	-
Pram Japan & General	314.3	330.8	-1.8	-
Pram Recovery Tst.	359.9	378.8	-0.8	-
GT Special Mngd	241.2	253.8	-0.5	-
GT Amer Spec Sits	170.6	179.5	-0.2	-
GT Capital	261.9	275.6	-0.3	-
GT European	342.3	360.3	-1.3	-
GT Far East & Gen.	309.6	325.7	-0.7	-
GT International	284.6	299.5	-2.6	-
GT Japan & General	271.3	285.6	-1.3	-
GT US & General	252.4	265.6	-0.9	-
Property Growth Life Funds				
Investment		347.8	-1.3	-
Investment (A)		334.1	-1.2	-
Abbey National		444.3	+0.1	-
Abbey National (A)		470.6	+0.1	-
Actuarial		569.9	-2.8	-
Agricultural		807.7		-
Agricultural (A)		778.0	+0.1	-
Building Society		223.6	+0.1	-
Equity		1224.6	-4.7	-
Equity (A)		1174.7	-4.6	-
Gilt Edged		367.3	-3.7	-
Gilt Edged (A)		367.1	-3.7	-
International		702.0	-6.9	-
Money		466.2		-
Money (A)		446.1		-
Property		607.1	+0.1	-
Property (A)		567.2	+0.1	-
Atlantic Investment		741.6		-
Atlantic All Weather	691.0	727.4		-
Property Growth Pension Funds				
Managed (Acc)		1151.5	-4.2	-
Managed (Cap)		613.0	-2.3	-
Building Society (Acc)		868.6	+0.2	-
Building Society (Cap)		484.0	+0.1	-
Conv Bldng Soc (Acc)		900.7	+0.1	-

[illegible]

CMI Insurance Co Ltd - Contd.

Dollar Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Income Fd	$0.591	[illegible]		
Security Fd	$0.633	[illegible]		
Balanced Fd	$0.758	[illegible]		
Opportunity Fd	$0.873	[illegible]		
Australasian	$0.624	[illegible]		
Canadian Equity	$0.375	[illegible]		
Japanese Equity	$0.529	[illegible]		
SE Asia Equity	$1.130	[illegible]		
US Equity	$0.505	[illegible]		
Japanese Bond	$0.630	[illegible]		
US Bond	$0.570	[illegible]		
US$ Currency Reserve	$0.526	[illegible]		
Future	$0.570	[illegible]		
G M A Protected	$0.582	[illegible]		
G M A Enhanced	$0.613	[illegible]		
G M A Diversified	$0.556	[illegible]		

Broker Bond Funds

[illegible]

Century Life International Ltd

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE INSURANCES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

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Warburg Asset Management Jersey Ltd

Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds

Abtrust Fund Mngrs Luxembourg SA (u)

Foreign & Colonial Emerging Markets Ltd (u)

S.G. Warburg Asset Mngmt Lux SA - Contd.

HSBC NAFT Luxembourg SA

LUXEMBOURG (REGULATED)(**)

Unico Financial Services SA Lux

OTHER OFFSHORE FUNDS

The Environmental Investment Co Ltd

Jardine Fleming Unit Trusts Ltd - Contd.

Putnam Embassy Funds Ltd

Putnam International Advisers Ltd

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Futures take fright

A further sharp fall in sterling futures, on fears of an interest rate tightening, dominated markets yesterday, *writes Philip Gawith.*

Volumes were very large, with both the September and December eurosterling contracts trading over 50,000 lots. The December contract settled 13 basis down at 93.54, showing that the market is discounting short term rates of 6.5 per cent by the end of the year, compared to 5.25 per cent presently.

Most analysts agree that the market is not reflecting economic fundamentals, but investors have been scared into selling by the poor sentiment in the market. The pattern of options activity suggests that many investors sold against their better judgment.

Activity on the foreign exchanges was fairly subdued, with the lira still dominating most of the headlines. Worries about the possibility of the government falling saw the currency fall to an 18 month low of L1,011.50 against the D-Mark before recovering to close in London at L1,005.

A firmer Treasury bond market, and short-covering ahead of today's second quarter GDP figures, and the weekend trade talks with Japan, helped the dollar rise. Yesterday evening it was trading at Y99.50 and DM1.5885.

The trade weighted sterling index finished slightly firmer at 78.8 from 78.6, while the D-Mark was fairly steady in Europe. The French franc ignored a cut in the intervention rate to 5 per cent from 5.10 per cent to finish at FFr3.415 against the D-Mark from FFr3.417.

■ Dealers were mystified by the bearish interest rate sentiment which has seen the December short sterling contract shed 34 basis points in two days without any new information to trade off.

Sentiment remained very nervous and the market was awash with rumours. At various times, a gilt-edged market maker, a merchant bank and a clearing bank were all rumoured to be in trouble. The market also seemed unable to shake off the strange tale of the nameless Tory Euro MP alleged, on Wednesday, to have called for higher interest rates.

No explanation was offered as to why this should have interested the market, save that it came the day before the monthly monetary meeting between Mr Kenneth Clarke, the chancellor, and Mr Eddie George, the governor of the Bank of England.

Mr Nick Parsons, treasury economist at CIBC in London, described the short sterling move as "wholly out of line with the likely prospect for interest rates." He added that only once in the last 18 years had rates been raised in August, and that was in 1987, just ahead of the stockmarket crash.

Commenting on the movements in eurosterling, Mr Richard Phillips, analyst at brokers GNI, said: "A lot of people who were sitting on positions perceived the risk of a rate hike and were forced to liquidate their positions against their better judgment."

Two bits of evidence support this conclusion. First, the large volume in the September contract. Traders normally trade in the most liquid contract, currently December. The large volumes in September suggests people were liquidating positions, rather than simply trading.

Second, many investors seemed to be buying options to reflect the underlying positions they had been forced out of. Short sterling options activity was very heavy, with most at the strike price of 94.50 and 94.75. This suggests that investors believe the September contract will close considerably higher than 94.28 where the contract closed yesterday.

Mr Phillips said a lot of investors had been looking at the Clarke-George meeting "for the pre-emptive rate hike that many in the market are now forecasting." Trade was fairly brisk as many who sold on Wednesday were happy to buy back yesterday at lower prices.

The bearish sentiment in the futures market was at odds with developments in the cash market. After forecasting a shortage of £1bn, the Bank of England provided a £750m round of early assistance at the established rate of 5 3/32 per cent – £23m outright, and a £727m repo facility.

Mr Philip Shaw, economist at Union Discount, said the combination of an early round of assistance and the repo implied that the Bank "was trying to be helpful." He said the message was of "unchanged rates for the time being."

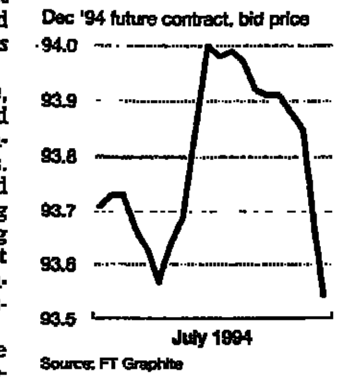
He predicted, though, that with renewed speculation about rates, the Bank's early morning operations would be watched more closely in the days ahead.

■ Analysts said the firmer dollar reflected technical rather than fundamental factors. The US currency was trading at DM1.5890 in the New York afternoon, more than two pfennigs up on its European low of DM1.5660.

Mr Steve Barrow, analyst at Chemical Bank in London, said the market seemed still to be taking its lead from the bond market. He said the overall attitude remained bearish, but the short-covering rally suggests some in the market see a greater risk in the short term of a rally rather than a fall.

Sterling

Dec '94 future contract, bid price



Source: FT Graphite

■ **Pound in New York**

Jul 28	——Latest——	— Prev. close —
£ spot	1.5300	1.5337
1 mth	1.5291	1.5327
3 mth	1.5279	1.5318
1 yr	1.5214	1.5274

■ **OTHER CURRENCIES**

Jul 28	£	$
Hungary	155.768 - 155.993	101.710 - 101.810
Iran	2674.00 - 2677.00	1748.00 - 1750.00
Kuwait	0.4552 - 0.4566	0.2972 - 0.2980
Poland	34585.9 - 34643.0	22570.0 - 22610.0
Russia	3144.99 - 3151.11	2053.00 - 2057.00
U.A.E.	5.6187 - 5.6301	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jul 28		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.0242	+0.0478	165 - 319	17.0378	16.9317	17.0199	0.3	17.008	0.4	-	-	115.1
Belgium	(BFr)	49.7622	+0.0861	293 - 950	49.8530	49.5350	49.7572	0.1	49.8022	-0.3	49.8022	-0.1	116.6
Denmark	(DKr)	9.5080	+0.0255	040 - 119	9.5187	9.4635	9.515	-0.9	9.5301	-0.9	9.5751	-0.7	116.8
Finland	(FM)	7.9722	+0.0395	627 - 817	7.9760	7.9190	-	-	-	-	-	-	82.7
France	(FFr)	8.2605	+0.0157	571 - 639	8.2737	8.2253	8.2639	-0.5	8.2683	-0.4	8.2508	0.1	109.9
Germany	(DM)	2.4195	+0.0069	185 - 204	2.4228	2.4060	2.4191	0.2	2.4182	0.2	2.3974	0.9	125.6
Greece	(Dr)	365.806	+0.851	416 - 196	366.196	364.476	-	-	-	-	-	-	-
Ireland	(I£)	1.0120	+0.0001	112 - 127	1.0129	1.0082	1.0124	-0.5	1.0133	-0.5	1.0168	-0.5	104.2
Italy	(L)	2430.82	+3.04	896 - 267	2433.73	2420.62	2437.52	-3.3	2449.67	-3.1	2502.92	-3.0	75.5
Luxembourg	(LFr)	49.7622	+0.0861	293 - 950	49.8530	49.5350	49.7572	0.1	49.8022	-0.3	49.8022	-0.1	116.6
Netherlands	(Fl)	2.7155	+0.0075	144 - 166	2.7194	2.7009	2.7151	0.2	2.7136	0.3	2.693	0.8	120.4
Norway	(NKr)	10.5508	+0.0344	468 - 547	10.5610	10.5005	10.5478	0.3	10.5583	-0.3	10.5443	0.1	88.6
Portugal	(Es)	247.241	+0.391	031 - 450	247.458	246.160	248.971	-8.4	252.151	-7.9	-	-	-
Spain	(Pta)	198.256	+0.628	172 - 339	199.366	198.388	199.701	-2.7	200.561	-2.6	203.541	-2.2	86.3
Sweden	(SKr)	11.8789	+0.056	704 - 873	11.8990	11.8220	11.9004	-2.2	11.9509	-2.4	12.1714	-2.5	73.9
Switzerland	(SFr)	2.0481	+0.0013	468 - 493	2.0519	2.0382	2.0466	0.9	2.0434	0.9	2.0192	1.4	120.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	78.8
Ecu	-	1.2655	+0.0018	649 - 660	1.2675	1.2609	1.2664	-0.9	1.2677	-0.7	1.269	-0.3	-
SDR†	-	0.951311	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5298	+0.0011	294 - 302	1.5353	1.5287	-	-	-	-	-	-	-
Brazil	(R)	1.4400	+0.0036	381 - 419	1.4413	1.4345	-	-	-	-	-	-	-
Canada	(C$)	2.1150	+0.0038	141 - 158	2.1237	2.1141	2.1185	-0.8	2.1202	-1.0	2.1472	-1.5	86.0
Mexico	(New Peso)	5.2060	-0.0059	025 - 095	5.2152	5.2000	-	-	-	-	-	-	-
USA	($)	1.5319	+0.001	315 - 322	1.5375	1.5307	1.531	0.7	1.5297	0.6	1.5242	0.5	63.3
Pacific/Middle East/Africa													
Australia	(A$)	2.0797	+0.0086	786 - 807	2.0923	2.0716	2.0798	0.0	2.081	-0.3	2.0992	-0.9	-
Hong Kong	(HK$)	11.8336	+0.0078	301 - 370	11.8772	11.8262	11.8297	0.4	11.8286	0.2	11.8357	0.0	-
India	(Rs)	48.0522	+0.0332	355 - 689	48.2280	48.0220	-	-	-	-	-	-	-
Japan	(Y)	151.684	+1.645	603 - 764	151.870	150.750	151.304	3.0	150.539	3.0	146.544	3.4	191.2
Malaysia	(M$)	3.9729	+0.0034	712 - 745	3.9367	3.9691	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5516	+0.005	495 - 537	2.5661	2.5456	2.5555	-1.8	2.5633	-1.8	2.5855	-1.3	-
Philippines	(Peso)	40.2112	-0.1268	956 - 267	40.8150	39.8125	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7451	+0.0039	434 - 467	5.7658	5.7410	-	-	-	-	-	-	-
Singapore	(S$)	2.3123	+0.0009	110 - 136	2.3205	2.3110	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6438	+0.0263	413 - 462	5.6464	5.6135	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.0036	+0.0306	867 - 205	7.0205	6.9867	-	-	-	-	-	-	-
South Korea	(Won)	1229.08	+0.65	872 - 944	1233.54	1228.23	-	-	-	-	-	-	-
Taiwan	(T$)	40.6603	-0.0584	460 - 745	40.6353	40.6347	-	-	-	-	-	-	-
Thailand	(Bt)	38.2657	+0.0709	416 - 897	38.3760	38.2360	-	-	-	-	-	-	-

†SDR rate for Jul 27. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 28		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	11.1135	+0.024	110 - 160	11.1170	11.0260	11.1162	-0.3	11.1038	0.1	11.0318	0.7	104.1
Belgium	(BFr)	32.4850	+0.035	710 - 990	32.5200	32.2500	32.505	-0.7	32.5425	-0.7	32.605	-0.4	105.7
Denmark	(DKr)	6.2069	+0.0126	057 - 080	6.2092	6.1620	6.2129	-1.2	6.2239	-1.1	6.2609	-0.9	105.1
Finland	(FM)	5.2043	+0.0224	993 - 093	5.2093	5.1521	5.2073	-0.7	5.2098	-0.4	5.2488	-0.9	77.2
France	(FFr)	5.3925	+0.0067	915 - 935	5.4023	5.3515	5.3972	-1.1	5.4032	-0.8	5.381	0.2	106.3
Germany	(D)	1.5795	+0.0035	792 - 797	1.5805	1.5665	1.5802	-0.5	1.5802	-0.2	1.57	0.6	106.6
Greece	(Dr)	238.800	+0.4	600 - 000	239.000	237.500	239.15	-1.8	239.92	-1.9	243.3	-1.9	69.3
Ireland	(I£)	1.5138	+0.0008	130 - 145	1.5240	1.5125	1.5126	1.0	1.5103	0.9	1.5015	0.8	-
Italy	(L)	1586.85	+0.95	600 - 770	1587.75	1574.40	1591.9	-3.8	1600.7	-3.5	1638.85	-3.3	75.9
Luxembourg	(LFr)	32.4850	+0.035	710 - 990	32.5200	32.2500	32.505	-0.7	32.55	-0.8	32.605	-0.4	105.7
Netherlands	(Fl)	1.7727	+0.0037	724 - 730	1.7740	1.7583	1.7732	-0.4	1.7721	0.1	1.765	0.4	105.3
Norway	(NKr)	6.8876	+0.018	866 - 886	6.8900	6.8360	6.8911	-0.6	6.8956	-0.5	6.8711	0.2	96.7
Portugal	(Es)	161.400	+0.15	300 - 500	161.500	160.250	162.63	-9.1	164.67	-8.1	171.8	-6.4	94.8
Spain	(Pta)	130.075	+0.325	050 - 100	130.100	129.100	130.44	-3.4	131.095	-3.1	133.465	-2.6	81.4
Sweden	(SKr)	7.7546	+0.0315	508 - 583	7.7583	7.7008	7.7716	-2.6	7.8081	-2.8	7.9626	-2.7	79.1
Switzerland	(SFr)	1.3370	-	365 - 375	1.3390	1.3260	1.3367	0.3	1.3353	0.5	1.3228	1.1	105.8
UK	(£)	1.5319	+0.001	315 - 322	1.5375	1.5307	1.531	0.7	1.5297	0.6	1.5242	0.5	86.9
Ecu	-	1.2106	-0.0009	103 - 108	1.2190	1.2095	1.2091	1.4	1.207	1.2	1.2189	-0.7	-
SDR†	-	1.45522	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9987	+0.0001	986 - 987	0.9987	0.9983	-	-	-	-	-	-	-
Brazil	(R)	0.9400	-0.005	390 - 410	0.9410	0.9380	-	-	-	-	-	-	-
Canada	(C$)	1.3807	+0.0016	804 - 809	1.3821	1.3804	1.3819	-1.0	1.3846	-1.1	1.4055	-1.8	82.5
Mexico	(New Peso)	3.3985	-0.006	970 - 000	3.4000	3.3950	3.3995	-0.4	3.4013	-0.3	3.4087	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3576	+0.0047	572 - 580	1.3613	1.3526	1.3578	-0.2	1.3585	-0.3	1.3659	-0.6	87.2
Hong Kong	(HK$)	7.7250	-	245 - 255	7.7255	7.7245	7.7248	0.0	7.7255	0.0	7.7405	-0.2	-
India	(Rs)	31.3688	+0.0013	650 - 725	31.3750	31.3650	31.4538	-3.3	31.5988	-2.9	-	-	-
Japan	(Y)	99.0200	+1.01	900 - 500	99.0500	98.3500	98.82	2.4	98.36	2.7	95.825	3.2	152.5
Malaysia	(M$)	2.5935	+0.0005	930 - 940	2.5940	2.5923	2.5843	4.3	2.573	3.2	2.6465	-2.0	-
New Zealand	(NZ$)	1.6657	+0.0022	647 - 667	1.6694	1.6620	1.6666	-0.7	1.6685	-0.7	1.6738	-0.5	-
Philippines	(Peso)	26.2500	-0.1	500 - 500	26.6000	26.0500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	502 - 506	3.7506	3.7502	3.7517	-0.4	3.7558	-0.6	3.7744	-0.6	-
Singapore	(S$)	1.5095	-0.0004	090 - 100	1.5100	1.5090	1.5082	1.1	1.5063	0.9	1.4995	0.7	-
S Africa (Com.)	(R)	3.6843	+0.0148	835 - 850	3.6850	3.6610	3.6998	-5.0	3.7281	-4.8	3.8048	-3.3	-
S Africa (Fin.)	(R)	4.5720	-0.017	620 - 820	4.5820	4.5650	4.6057	-8.9	4.6645	-8.1	-	-	-
South Korea	(Won)	802.350	-0.1	300 - 400	802.400	802.300	805.35	-4.5	808.85	-3.2	827.35	-3.1	-
Taiwan	(T$)	26.5433	-0.0555	400 - 465	26.5975	26.5400	26.5633	-0.9	26.6033	-0.9	-	-	-
Thailand	(Bt)	24.9800	+0.03	700 - 900	24.9900	24.9700	25.0525	-3.5	25.18	-3.2	25.66	-2.7	-

†SDR rate for Jul 27. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 27. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 28		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.11	16.60	4.861	2.034	4885	5.458	21.20	496.8	400.5	23.87	4.116	2.010	4.250	3.079	304.7	2.544
Denmark	(DKr)	52.33	10	8.687	2.544	1.064	2557	2.857	11.10	260.0	209.6	12.49	2.154	1.052	2.224	1.611	159.4	1.332
France	(FFr)	60.24	11.51	10	2.929	1.225	2943	3.288	12.77	299.3	241.3	14.38	2.479	1.211	2.561	1.855	183.5	1.533
Germany	(DM)	20.57	3.931	3.415	1	0.418	1005	1.123	4.361	102.2	82.39	4.911	0.847	0.413	0.874	0.633	62.67	0.523
Ireland	(I£)	49.17	9.395	8.162	2.390	1	2402	2.684	10.42	244.3	196.9	11.74	2.024	0.988	2.090	1.514	149.8	1.251
Italy	(L)	2.047	0.391	0.340	0.100	0.042	100.	0.112	0.434	10.17	8.198	0.489	0.084	0.041	0.087	0.063	6.238	0.052
Netherlands	(Fl)	18.32	3.501	3.041	0.891	0.373	895.1	1	3.884	91.02	73.38	4.374	0.754	0.368	0.779	0.564	55.82	0.466
Norway	(NKr)	47.17	9.012	7.829	2.293	0.959	2304	2.574	10	234.3	188.9	11.26	1.941	0.948	2.005	1.452	143.7	1.200
Portugal	(Es)	20.13	3.846	3.341	0.979	0.409	983.4	1.099	4.268	100.	80.62	4.806	0.828	0.405	0.856	0.620	61.33	0.512
Spain	(Pta)	24.97	4.771	4.145	1.214	0.508	1220	1.363	5.294	124.0	100.	5.961	1.028	0.502	1.061	0.769	76.07	0.635
Sweden	(SKr)	41.89	8.003	6.953	2.036	0.852	2046	2.286	8.880	208.1	167.8	10	1.724	0.842	1.780	1.290	127.6	1.065
Switzerland	(SFr)	24.30	4.643	4.033	1.181	0.494	1187	1.326	5.151	120.7	97.31	5.801	1	0.488	1.033	0.748	74.02	0.618
UK	(£)	49.76	9.508	8.260	2.419	1.012	2431	2.716	10.55	247.2	199.3	11.88	2.048	1	2.115	1.532	151.6	1.266
Canada	(C$)	23.53	4.496	3.905	1.144	0.478	1149	1.284	4.988	116.9	94.23	5.617	0.968	0.473	1	0.724	71.68	0.599
US	($)	32.48	6.206	5.392	1.579	0.661	1587	1.773	6.886	161.4	130.1	7.755	1.337	0.653	1.381	1	98.96	0.826
Japan	(Y)	328.2	62.72	54.49	15.96	6.675	16036	17.92	69.59	1631	1316	78.36	13.51	6.596	13.95	10.11	1000.	8.351
Ecu		39.30	7.510	6.524	1.911	0.799	1920	2.145	8.333	195.3	157.4	9.384	1.618	0.790	1.671	1.210	119.7	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6343	0.6348	+0.0004	0.6382	0.6339	32,677	83,092
Dec	0.6360	0.6358	+0.0030	0.6385	0.6358	726	4,218
Mar	0.6380	0.6380	+0.0021	0.6385	0.6380	15	1,094

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.0193	1.0178	-0.0004	1.0208	1.0176	26,906	70,300
Dec	1.0275	1.0258	+0.0001	1.0280	1.0258	462	5,824
Mar	-	1.0345	-0.0044	-	-	2	1,016

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7497	0.7500	+0.0003	0.7548	0.7483	16,406	38,005
Dec	0.7550	0.7520	+0.0029	0.7561	0.7520	629	1,527
Mar	-	0.7550	-	0.7567	-	3	14

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5304	1.5320	+0.0018	1.5364	1.5298	8,741	31,184
Dec	1.5340	1.5320	+0.0024	1.5350	1.5320	74	857
Mar	1.5310	1.5310	+0.0022	1.5340	1.5310	4	153

EMS EUROPEAN CURRENCY UNIT RATES

Jul 28	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.15068	-0.00103	-2.10	4.55	-
Belgium	40.2123	39.4368	-0.0068	-1.93	4.37	14
Germany	1.94964	1.91634	-0.00127	-1.71	4.13	-
Ireland	0.808628	0.802064	-0.001131	-0.81	3.19	5
France	6.53883	6.55265	+0.00108	0.21	2.14	-2
Denmark	7.43679	7.53445	-0.00055	1.31	1.03	-9
Portugal	192.854	195.944	+0.052	1.60	0.74	-11
Spain	154.250	157.881	+0.05	2.36	0.00	-16
NON ERM MEMBERS						
Greece	264.513	290.094	+0.186	9.67	-6.67	-
Italy	1793.19	1929.14	+4.29	7.58	-4.86	-
UK	0.786749	0.794652	+0.00054	1.00	1.34	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Aug	Sep	Oct	PUTS Aug	Sep	Oct
1.450	8.17	8.14	8.31	-	0.06	0.11
1.475	5.75	5.93	6.26	-	0.30	0.31
1.500	3.39	3.98	4.42	0.11	0.75	0.68
1.525	1.49	2.36	2.90	0.66	1.62	1.31
1.550	0.41	1.24	1.82	2.07	2.96	2.27
1.575	0.05	0.56	1.05	4.15	4.77	3.57

Previous day's vol., Calls 679,924 Puts 536,260. Prev. day's open int., Calls 28,725 Puts 6,501

WORLD INTEREST RATES

MONEY RATES

July 28	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4 5/8	5 1/8	5 1/4	5 5/8	6 1/4	7.40	4.50	-
week ago	5	5 1/8	5 1/2	5 3/4	6 1/2	7.40	4.50	-
France	5 5/8	5 1/4	5 3/8	5 3/4	6	5.00	-	6.75
week ago	5 5/8	5 3/8	5 3/4	5 3/4	5 7/8	5.10	-	6.75
Germany	5.75	4.97	4.95	4.98	5.06	6.00	4.50	4.85
week ago	4.80	4.97	4.85	4.86	4.95	6.00	4.50	4.91
Ireland	4 5/8	5 3/8	5 5/8	6 1/4	6 1/2	-	-	6.25
week ago	5	5 3/8	5 5/8	6 1/4	6 1/2	-	-	6.25
Italy	8 1/2	8 3/4	8 3/4	9 1/4	9 3/4	-	7.00	7.95
week ago	8 3/4	8 3/4	8 5/8	8 3/4	9 1/2	-	7.00	8.15
Netherlands	4.85	4.91	4.93	5.02	5.21	-	5.25	-
week ago	4.85	4.91	4.82	4.94	5.12	-	5.25	-
Switzerland	4 3/4	4 3/8	4 1/2	4 1/2	4 3/4	6.625	3.50	-
week ago	4	4 3/8	4 1/4	4 3/4	4 1/2	6.625	3.50	-
US	4 1/4	4 1/4	4 5/8	5 1/4	5 3/4	-	3.50	-
week ago	4 1/4	4 1/4	4 3/4	5 1/4	5 3/8	-	3.50	-
Japan	2 1/4	2 1/4	2 3/8	2 1/4	2 1/2	-	1.75	-
week ago	2	2 1/4	2 3/8	2 1/4	2 1/4	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	4 1/2	4 7/8	5 3/8	5 3/4	-	-	-
week ago	-	4 1/2	4 13/16	5 1/4	5 3/4	-	-	-
US Dollar CDs	-	4.27	4.59	5.01	5.58	-	-	-
week ago	-	4.27	4.60	4.90	5.44	-	-	-
SDR Linked Ds	-	3 1/2	3 5/8	3 3/4	4	-	-	-
week ago	-	3 1/2	3 5/8	3 3/4	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5 3/4; 3 mths: 5 1/4; 6 mths: 6 1/4; 1 year: 6 3/8. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 28	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5 - 4 7/8	5 1/16 - 4 15/16	5 3/16 - 5 1/16	5 7/16 - 5 5/16	5 3/4 - 5 5/8	6 1/16 - 5 15/16
Danish Krone	5 5/8 - 5 1/4	5 5/8 - 5 1/4	5 11/16 - 5 7/16	6 - 5 3/4	6 7/16 - 6 3/16	6 15/16 - 6 3/4
D-Mark	5 1/16 - 4 15/16	5 1/16 - 5 1/16	5 1/16 - 4 15/16	5 - 4 7/8	5 1/16 - 4 15/16	5 1/8 - 5
Dutch Guilder	4 15/16 - 4 13/16	4 15/16 - 4 13/16	4 15/16 - 4 13/16	4 15/16 - 4 13/16	5 1/16 - 4 15/16	5 1/4 - 5 1/8
French Franc	5 3/8 - 5 1/4	5 3/8 - 5 1/4	5 7/16 - 5 5/16	5 11/16 - 5 9/16	5 3/4 - 5 5/8	6 - 5 7/8
Portuguese Esc.	12 1/8 - 11 7/8	11 3/4 - 11 5/8	12 3/8 - 12 1/8	12 3/8 - 12 1/8	12 3/8 - 12 1/8	12 1/4 - 11 7/8
Spanish Peseta	7 5/8 - 7 1/4	7 5/8 - 7 1/4	7 13/16 - 7 11/16	7 15/16 - 7 3/4	8 1/4 - 8	8 1/2 - 8 1/4
Sterling	4 7/8 - 4 3/4	5 - 4 7/8	5 1/16 - 5 1/16	5 7/16 - 5 5/16	5 3/4 - 5 5/8	6 3/16 - 6 1/16
Swiss Franc	4 1/4 - 4	4 1/4 - 4	4 1/4 - 4 1/8	4 3/16 - 4 1/16	4 3/16 - 4 1/16	4 5/16 - 4 3/16
Can. Dollar	5 3/8 - 6 1/8	5 1/2 - 5 1/4	5 1/2 - 5 3/8	5 13/16 - 6 11/16	6 13/16 - 6 5/8	7 3/8 - 7 1/2
US Dollar	4 3/8 - 4 1/4	4 3/8 - 4 1/4	4 1/2 - 4 3/8	4 7/8 - 4 3/4	5 3/8 - 5 1/4	5 13/16 - 5 11/16
Italian Lira	9 - 7 1/2	8 1/4 - 8	8 5/8 - 8 1/4	8 5/8 - 8 1/2	9 1/4 - 8 15/16	9 5/8 - 9 1/4
Yen	2 1/4 - 2 1/8	2 1/4 - 2 1/8	2 1/4 - 2 1/8	2 1/4 - 2 1/8	2 1/4 - 2 1/8	2 13/16 - 2 11/16
Asian $Sing	3 7/8 - 3 3/4	3 7/8 - 3 3/4	4 1/16 - 4 1/16	4 3/4 - 4 5/8	5 3/8 - 5 1/4	5 13/16 - 5 11/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.35	94.34	-0.03	94.35	94.28	14,898	49,080
Dec	94.19	94.18	-0.05	94.19	94.12	15,484	35,910
Mar	93.98	93.96	-0.06	94.00	93.90	9,661	30,732
Jun	93.77	93.76	-0.06	93.77	93.70	2,984	24,138

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	-	94.75	-0.01	-	-	0	3030
Dec	94.05	94.03	-0.01	94.05	94.04	102	1918
Mar	93.77	93.79	-0.01	93.77	93.77	20	1437
Jun	-	93.47	-0.02	-	-	0	360

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.09	95.09	-	95.12	95.08	16950	171355
Dec	94.99	95.02	+0.02	95.04	94.98	23211	161726
Mar	94.78	94.80	+0.01	94.82	94.76	19655	160189
Jun	94.50	94.50	-0.01	94.56	94.47	9560	92755

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	90.98	91.02	-	91.12	90.86	5583	31180
Dec	90.69	90.70	+0.01	90.80	90.56	2641	49411
Mar	90.26	90.36	+0.02	90.45	90.25	1194	13256
Jun	89.78	89.80	+0.03	90.04	89.78	674	11576

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.62	95.63	-	95.63	95.61	2462	22720
Dec	95.44	95.44	-0.02	95.46	95.43	702	9313
Mar	95.24	95.24	-	95.25	95.22	492	10069
Jun	94.95	94.97	-0.01	94.97	94.95	35	2427

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.88	93.89	-0.02	93.90	93.87	890	10875
Dec	93.68	93.68	-0.02	93.68	93.65	483	8211
Mar	93.45	93.45	-0.02	93.46	93.42	472	4725
Jun	93.15	93.15	-0.03	93.15	93.13	8	1143

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.76	94.74	-0.02	94.77	94.72	71,981	431,981
Dec	94.05	94.02	-0.03	94.05	93.99	106,310	436,988
Mar	93.80	93.78	-0.03	93.80	93.75	57,513	334,342

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	95.20	95.18	-0.02	95.20	95.18	1,767	19,860
Dec	94.60	94.59	-0.02	94.61	94.57	1,843	9,147
Mar	94.31	94.31	-0.03	94.31	94.30	207	2,008

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Aug	Sep	Oct	Dec	PUTS Aug	Sep	Oct	Dec
9500	0.10	0.14	0.13	0.19	0.01	0.05	0.11	0.17
9525	0.01	0.02	0.04	0.08	0.17	0.18	0.27	0.31
9550	0	0.01	0.01	0.03	0.41	0.42	0.49	0.51

Est. vol. total, Calls 1773 Puts 1539. Previous day's open int., Calls 239941 Puts 159678

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9550	0.19	0.18	0.24	0.06	0.24	0.50
9575	0.07	0.08	0.15	0.19	0.39	0.66
9600	0.03	0.04	0.08	0.40	0.60	0.84

Est. vol. total, Calls 0 Puts 25. Previous day's open int., Calls 1205 Puts 1375

UK INTEREST RATES

LONDON MONEY RATES

Jul 28	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 1/4 - 4 1/4	5 1/8 - 4 7/8	5 3/16 - 5 1/16	5 7/16 - 5 5/16	5 7/8 - 5 7/8	6 3/8 - 6 5/8
Sterling CDs	-	-	5 3/16 - 5 3/16	5 3/8 - 5 1/4	5 11/16 - 5 9/16	6 3/16 - 6 1/16
Treasury Bills	-	-	5 1/32 - 5	5 7/16 - 5 1/4	-	-
Bank Bills	-	-	5 1/8 - 5	5 3/8 - 5 1/4	5 5/8 - 5 1/2	-
Local authority deps.	4 13/16 - 4 11/16	4 13/16 - 4 11/16	5 1/8 - 5	5 3/8 - 5 1/4	5 11/16 - 5 9/16	6 3/16 - 6 1/16
Discount Market deps	5 - 4 1/4	4 13/16 - 4 11/16	-	-	-	-

UK clearing bank base lending rate 5 1/4 per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1 1/2	4	3 3/4	3 3/4	3 1/2

Certs of Tax dep. under £100,000 is 1 1/2pc. Deposits withdrawn for cash 1/2pc.
Ave. tender rate of discount 4.9846pc. ECGD fixed rate Stg. Export Finance. Make up day July 29, 1994. Agreed rate for period Aug 24, 1994 to Sep 25, 1994, Scheme II & III 6.50pc. Reference rate for period July 1, 1994 to July 29, 1994, Schemes IV & V 5.2460pc. Finance House Base Rate 5 1/2pc from July 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.40	94.28	-0.13	94.41	94.28	55869	108194
Dec	93.65	93.54	-0.13	93.69	93.53	62131	140943
Mar	92.98	92.93	-0.08	93.04	92.86	14627	67007
Jun	92.40	92.37	-0.04	92.44	92.28	6012	52591

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9425	0.16	0.04	0.04	0.13	0.75	1.36
9450	0.06	0.02	0.02	0.28	0.98	1.59
9475	0.01	0.01	0.01	0.48	1.22	1.83

Est. vol. total, Calls 44478 Puts 20170. Previous day's open int., Calls 231595 Puts 218499

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williman Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of London Investment Banking Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 29 / Sch) · BELGIUM/LUXEMBOURG (Jul 28 / Frs.) · DENMARK (Jul 28 / Kr) · FINLAND (Jul 28 / Mkk) · FRANCE (Jul 28 / Frs.) · GERMANY (Jul 28 / Dm.) · ITALY (Jul 28 / Lire) · NETHERLANDS (Jul 28 / Fls.) · NORWAY (Jul 28 / Kroner) · SPAIN (Jul 28 / Pts.) · SWEDEN (Jul 28 / Kronor) · SWITZERLAND (Jul 28 / Frs.)

[illegible]

PACIFIC

JAPAN (Jul 28 / Yen) · HONG KONG (Jul 28 / H.K.$) · MALAYSIA (Jul 28 / MYR) · SINGAPORE (Jul 28 / S$) · AUSTRALIA (Jul 28 / Aust$)

[illegible]

NORTH AMERICA

CANADA · TORONTO (Jul 28 / Can $) 4 pm close · MONTREAL (Jul 28 / Can $) 4 pm close

225642	AmBan	31⅞	−⅛	$32½	31½	6250	PhilSn	7⅞	$8 7⅞
1300	AtcoCl	13⅝	−¼	$13⅝	13⅝	262933	PlDome	29⅛	−⅛ $29¾ 29⅛
319200	Avenor	21⅝	−⅛	$21⅞	21½	53200	PowrCp	19½	−¼ $19⅝ 19½
13900	BCSugA	7⅞	+⅛	$7⅞	7¾	1600	PowrFn	29	−¼ $29¼ 29
3965	BC Tel	23¾	+⅛	$23¾	23½	2600	RaynkY	15¾	$16 15¾
983682	BCE	45⅞	−½	$46½	45⅝	50400	RenmS	14¼	$14¼ 14¼
10100	BCE Mb	37	+¼	$37	37	600	Rothmn	78	$78 78
4290	BGR A	15⅝		$15⅝	15⅝	28450	RngOil	8⅝	+⅛ $8¾ 8½
76300	Brnswk	10⅛	+⅛	$10¼	9⅞	200	ReedSt	27⅞	−⅛ $27⅞ 27⅞
1051740	BkMont	23½	+½	$23⅝	23¼	82065	Ren En	29⅛	+⅛ $29¼ 28¾
926824	BkNovS	24½	+⅛	$24¾	24⅜	574159	Repap	495	+20 500 470
31533	BeauEx	232	−2	235	231	5700	Rigel	19½	$19¾ 19½
194925	BmbdrB	19¾		$19¾	19½	58800	RioAlg	23⅝	+⅛ $23⅞ 23⅝
28521	BowVal	15¾		$15¾	15½	414848	RogCmB	19¾	−¼ $20 19⅝
4907100	Brmlea	27½	+2	29½	26	385714	RoyBkC x	27¾	+⅛ $27¾ 27⅝
6508	BrscnA	18⅞		$18⅞	18¾	256300	RoyOak	5⅞	−⅛ $6 5⅞

[illegible]

AFRICA

SOUTH AFRICA (Jul 28 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994 except Toronto & Montreal (daily). ø Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Thursday, July 28 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toshiba	6.4m	727	+5	Matsushita E Ind	3.7m	1,630	-30
Hitachi	6.4m	952	-7	Fujitsu	3.5m	1,040	+20
Ihara Chem Ind	4.6m	1,300	+90	Mitsubishi Hvy	3.4m	770	+4
Nippon Steel	4.4m	334	+4	Mitsubishi Oil	3.1m	1,160	+10
OKI Elec	4.4m	710	-12	NEC Corp	3.0m	1,130	-10

INDICES

[illegible]

Footnotes: ** Sat July 23: Taiwan Weighted Price 6556.23; Korea Comp Ex 950.56. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours index. Jul 28 - 2134.12 -1.81

US INDICES

Dow Jones	Jul 27	Jul 26	Jul 25	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3720.47	3735.68	3741.84	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	97.53	97.67	97.63	105.81 (21/1)	96.43 (13/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1581.28	1598.53	1604.74	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	182.77	182.71	182.71	227.86 (3/1)	176.71 (24/6)	256.45 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3753.17 (3764.50) Low 3693.27 (3708.22) (Theoretical♦)
Day's high 3736.68 (3743.45) Low 3714.84 (3727.51) (Actual♦)

Standard and Poors	Jul 27	Jul 26	Jul 25	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	452.57	453.36	454.25	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	527.72	528.84	530.16	580.59 (2/2)	510.05 (21/4)	580.59 (2/2/94)	3.62 (21/6/32)
Financial	44.54	44.69	44.64	48.94 (14/6)	41.39 (4/4)	48.48 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	249.64	250.24	250.72	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	434.02	434.50	434.06	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	712.13	715.66	716.88	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jul 22	Jul 15	Jul 8	Year ago
Dow Jones Ind. Div. Yield	2.74	2.71	2.74	2.83
	Jul 20	Jul 13	Jul 6	Year ago
S & P Ind. Div. yield	2.46	2.47	2.48	2.56
S & P Ind. P/E ratio	23.07	22.93	22.72	24.89

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	453.10	453.20	+0.05	453.45	452.35	52,285	203,898
Dec	455.40	455.70	-0.20	455.80	455.30	461	12,988
Mar	-	459.20	-	459.20	458.90	7	2,856

Open interest figures are for previous day.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jul	2046.0	2050.0	-5.0	2058.0	2042.0	33,195	15,556
Aug	2055.5	2058.0	-5.5	2065.0	2052.0	-	28,029
Sep	2063.5	2066.0	-5.5	2072.5	2060.0	2,384	7,873

Open interest figures for previous day.

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Telefonos	4,454,000	60	+1⅛
Ford Motor	4,314,100	30⅝	-1
WMX Tech	2,967,800	26⅛	-⅛
Signet Bank	2,457,700	39¾	+1⅛
Gen Motors	2,380,400	49⅝	-1
Wal-Mart	2,265,500	24⅞	-⅛
AT & T	2,075,700	54⅝	+⅛
Jhsn & Jhsn	2,057,900	47⅞	+⅜
Compaq	1,941,000	30⅝	-¼
Motorola	1,863,500	51	+1⅛

■ TRADING ACTIVITY

● Volume (millions)

	Jul 27	Jul 26	Jul 25
New York SE	251,653	232,864	211,700
Amex	13,182	14,737	12,094
NASDAQ	247,124	245,229	196,326
NYSE			
Issues Traded	2,826	2,839	2,827
Rises	877	908	1,066
Falls	1,254	1,147	1,051
Unchanged	695	784	710
New Highs	20	27	36
New Lows	58	57	49

* Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telerate) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close July 28

1994 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅞	13⅞	AAR	0.48	3.4	475	83	14⅜	14⅛	14¼	+⅛
16⅞	13	A L Labs A	0.18	1.3	31	74	13⅝	13½	13½	
73	57⅝	AMP	1.68	2.3	25	4860	u73½	72	73⅜	+1⅝
72¾	52⅛	AMR			101	3882	58⅝	57¾	57⅞	+⅛
5	3⅜	ARX			12	100	3¾	3⅝	3¾	+⅛
56⅛	38⅝	ASA	2.00	4.3	31	514	47¼	46¾	46⅞	-¼
31⅜	25⅜	AbbotL	0.76	2.7	16	5614	28⅛	27⅝	28	
13¾	11⅞	Abitibi Pr	0.50	4.0	9	30	12½	12½	12½	
23⅝	17¾	ABM Ind	0.52	2.5		13	21	20¾	21	+⅛
13¾	11⅛	Acptocelo			24	54	13¼	13⅛	13⅛	-⅛
31	22¾	ACE Ltd	0.44	1.8	3	1310	24⅛	23⅞	23⅞	
12½	10⅛	ACM Gvt In	1.09	10.7		527	10½	10¼	10¼	
10⅛	7⅞	ACM GvOpp	0.80	9.8		77	8¼	8⅛	8⅛	
10⅝	7¾	ACM Gvt Sp	0.96	12.0		321	8	7⅞	8	+⅛
12	9	ACM Gvt Se	1.09	12.0		1078	9⅛	d9	9⅛	+⅛
11¾	8⅝	ACM Man	1.08	12.2		100	8⅞	8¾	8⅞	
9¼	8	ACM Managd	0.72	8.9		152	8¼	8⅛	8⅛	
15½	8¾	AcmeClv	0.44	3.9	14	329	11½	11¼	11⅜	+¼
9¼	6½	Acme Elect			6	99	8⅝	8⅛	8⅜	+⅛
28¾	23	Acordia	0.60	2.3	13	38	26	26	26	
9⅜	5¾	Actava	0.36	4.1	2	48	8⅞	8¾	8⅞	+⅛
16⅝	11¼	Acuson			93	73	12¼	12⅛	12⅛	
18⅜	16½	Adams Expr	0.48	2.8	0	436	17⅛	17	17⅛	+⅛
64	45½	Ad Micro	3.00	5.5		58	54¾	54½	54½	+⅛
31¾	16¾	AdvMic	3.00	11.7	11	2142	26⅛	25¾	25¾	+⅛
6⅞	5	Advest Grp	0.16	3.0	8	100	5¼	5⅛	5¼	+¼
20	15	Advo Inc	0.10	0.6	112	57	16⅞	16⅝	16⅞	+⅛
57¼	48⅜	Aegon ADR	2.85	5.4	12	31	54¾	54¼	54⅜	-⅞
65¾	49¾	AetnaL x	2.76	4.9	8	1480	56½	55¾	55⅞	-¼
12½	8⅞	BathMt x	0.05	0.5	207	1110	10⅝	10⅜	10⅜	-¼
53⅞	34¼	Bausch	0.98	2.8	13	1137	35⅞	35¼	35¼	-½
27¼	21⅝	Baxter	1.00	3.9	36	9622	25⅝	25¼	25⅝	+⅛
28⅜	23⅜	Bay St Gas	1.46	6.0	14	31	24½	24⅜	24½	-⅛
22½	19⅛	Bd Tr 1838	1.72	8.3		13	20¾	20¾	20¾	-¼
23½	15⅞	Bear Strns	0.57	3.6	4	2912	16⅜	16	16	
50¼	47½	BearStPfA	2.83	5.9		2	48	48	48	
37½	27¾	Bearings	0.64	2.0	22	119	31⅞	31½	31⅞	+⅜
28¾	23	Beckman In	0.40	1.6	21	178	25¾	25½	25⅝	+⅛
43	34⅛	BectnD	0.74	1.8	14	995	42⅛	41⅝	42⅛	+½

Continued on next page

4 pm close July 28

NYSE COMPOSITE PRICES

Continued from previous page

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
82½	47⅞	StJoePaper	0.20	0.3	71	88	60¼	58¾	59⅜	-1⅜
30¼	25	StJosLP x	1.80	6.9	13	49	26⅜	26⅛	26¼	+1.56
46	37¾	StPaul	1.50	3.5	4	1408	42¾	42⅛	42⅝	+⅛
9⅞	6	Salant Cp			7	189	6¼	6⅛	6⅛	-¼
49⅞	34⅛	Sallie Mae	1.40	4.0	7	5467	35	34⅝	34⅞	-⅛
13⅞	11⅞	Salomon Br x	0.32	2.6		206	12¼	12⅛	12¼	
52¾	42½	Salomn	0.64	1.5	5	538	43½	43⅛	43¼	-¼
25	17½	SalDgCE	1.52	7.6	10	1304	20	19⅞	20	
10	7½	SantaFeEPs	0.16	1.7	9	1614	9½	9¼	9½	
16¼	13½	SFeGti				473	15	14⅞	14⅞	
40	31½	SantaFePac x	2.80	7.7	17	23	36¼	36	36¼	+⅜
26¼	18½	SanFeP	0.10	0.5	11	4867	20¾	20⅛	20⅝	+⅜
26	18⅝	SaraLee	0.64	3.1	13	5967	20½	20¼	20⅜	-⅛
50⅛	42⅝	Scana Corp	2.82	6.4	11	93	44⅞	43⅞	44	
20½	12½	Scecrp	1.00	7.6	9	10220	13⅛	13	13⅛	
40½	31¼	SchererRP			29	606	38⅛	37½	38	+⅞
69⅞	54½	SchrPl	2.04	3.2	14	1820	63⅛	62½	63	+⅜
63	50¾	Schlmb x	1.20	2.0	24	4758	59¼	58⅞	58⅝	-⅜
33⅞	23¾	Schwab(C) x	0.28	1.1	12	665	26⅜	26¼	26¼	
10⅞	6⅛	Schwitzer			24	55	8⅞	8⅝	8⅝	
38⅜	24⅞	SciAtl	0.12	0.3	60	254	34⅞	34⅝	34¾	-⅛
16⅞	13	Scotsman	0.10	0.7	13	16	14⅜	14¼	14⅜	
56½	37¼	ScottP	0.80	1.4	15	5885	u56⅞	55¾	56½	+⅛
26⅝	18⅝	ScudderNAsF	0.21	0.9		37	23¼	22⅞	23	-⅛
12⅝	9½	ScuddrNEuF	0.16	1.6		171	10⅜	10¼	10¼	-⅛
18¼	13½	SeaCnB	0.70	4.3	8	5	16½	16⅜	16⅜	-¼
18½	14⅞	SeaC1.4625	1.46	9.6		2	15¼	15¼	15¼	
32	26¼	Seagrm	0.56	1.8	39	4387	30⅞	30½	30⅞	+¼
29¾	29	Seagull En			31	2768	24⅛	23¾	24⅛	+½
31¾	26⅝	Sealed Air			23	285	31⅛	30⅞	31	+⅛
55⅛	42⅛	SearsR	1.60	3.4	7	2970	47¼	46⅝	46⅝	-⅝
13⅝	11¼	Seligm Sel x	0.84	7.1		149	12	11⅞	11⅞	-⅛
39¼	26	Sensormat x	0.22	0.7	31	2323	30⅝	30⅛	30⅜	+⅛
39¾	27⅛	SequaA	0.80	2.1	4	52	29⅛	28¾	29	+⅛

NASDAQ NATIONAL MARKET

4 pm close July 28

AMEX COMPOSITE PRICES

4 pm close July 28

AMERICA

US stocks rebound from recent lows

Wall Street

US share prices rebounded yesterday morning as the recent flood of corporate results slowed to a trickle, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 17.48 higher at 3,737.95, while the more broadly based Standard & Poor's 500 was 2.11 ahead at 454.68. Volume on the Big Board was moderate, with 147m shares traded by the early afternoon.

In the secondary markets, the American SE composite was up a scant 0.31 at 434.33, and the Nasdaq composite was 1.16 firmer at 713.29.

After a weak opening, stocks made a decisive push into positive ground, in spite of the approach of a potential stumbling block this morning, when the government's preliminary estimate of second-quarter economic growth was to be released.

The market was particularly vulnerable to a strong reading because of the threat of an imminent increase in short-term interest rates by the Federal Reserve.

Investors received a further suggestion of economic strength yesterday, when the Labor Department reported a sharper than expected decline in claims for unemployment benefit last week, but jitters triggered by the report were shortlived.

The employment news, which came on the heels of a big jump in durable goods orders the previous session, depressed bond prices. However, economists later dismissed the significance of the reading as a technical aberration, allowing Treasuries to recover.

The activity was closely mirrored by the equity market, which gained extra support from latecomers in the quarterly reporting season which was drawing to a close.

General Motors, last of the Big Three car makers to publish its results, seemed to benefit from its tardiness. GM's share price gained $1 to $50½ after it revealed record second-quarter earnings, in contrast with Ford and Chrysler, whose strong performances had gone unrewarded. Yesterday, however, Ford appreciated $⅞ to $31⅛ and Chrysler firmed $½ to $47½.

On the negative side, shares in Wellpoint Health Networks lost 18 per cent of their value after the company posted earnings of 50 cents a share, against expectations of 54 cents.

The stock was down $5¼ to $25¼ in heavy volume of 1.4m shares after at least two securities houses downgraded the issue.

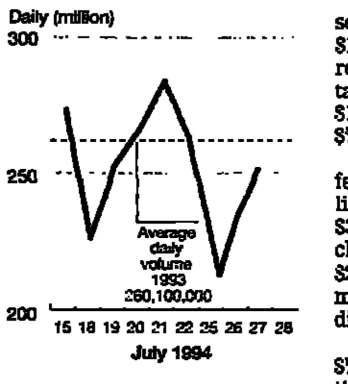
In an ironic twist, Wellpoint's disappointing performance fuelled speculation that it would launch a bid for Intergroup Healthcare. Its stock was $4 ahead at $42.

Elsewhere in the healthcare sector, Value Health dropped $1¼ to $42¼ even though its results were in line with expectations. United Healthcare lost $1⅛ to $43 and Humana shed $⅜ to $18⅛.

Acquisition news also buffeted the share price of Williams. Its stock climbed $1¾ to $33 on a report that it was close to accepting a sweetened $2.5bn offer from LDDS Communications for its long-distance telephone operation.

On the Nasdaq, LDDS added $½ to $19¼. IDB Communications, a second LDDS takeover target, slipped $⅜ to $10 on reports that the completion of the deal was contingent on an audit of IDB finances.

NYSE volume



Canada

Toronto was mixed in quiet midday trade but the tone was positive in response to a firmer bond market and good second-quarter earnings.

The TSE-300 composited index was 12.96 higher at 4,146.97 by noon in volume of 31.9m shares. Advances led declines by 287 to 259, with 323 issues unchanged.

The low trading volumes of recent sessions was attributed to uncertainty over the Quebec elections and worries about further rises in US interest rates.

Mexico

Mexican shares opened marginally lower, with traders forecasting some profit-taking after Wednesday's 1.6 per cent gain.

The IPC index was off 0.97 at 2,432.25 in volume of 7.2m shares in early trading.

Analysts said that they expected volume to decline next week as investors reacted to political uncertainty in the run-up to the August 21 presidential and legislative elections.

In New York, Telmex ADRs were up $⅛ at $60⅛ after earlier reaching $60⅝.

Gold shares make ground

South African shares ended mixed after investors remained net buyers of gold-related stocks but held back in industrials.

Dealers, however, said that sentiment remained steady after Wednesday's gains and demand could re-emerge today.

The overall index was 13 ahead at 5,672, the industrial index lost 22 at 6,434 and golds added 21 at 2,167.

Gencor saw most of Wednesday's gain pared, dipping 30 cents to R11.95 as demand slowed after the announcement of its purchase of Billiton. Anglos rose R6 to R246 after gaining on Nasdaq, while De Beers firmed 25 cents to R111.75. Traders said the shares had attracted offshore interest after recent inactivity.

Pick'n Pay Stores fell 50 cents to R12.50 as the shares remained under pressure from continued strike action throughout the country.

EUROPE

Mixed fortunes for German, Swiss drugs groups

Claims and counterclaims by the pharmaceuticals companies were a feature of European trading yesterday.

In Germany, Schering dived DM54, or 5.5 per cent, to DM926, and to DM920 in the after market, on reports that rival companies had made progress on research into a drug for the treatment of multiple sclerosis. It was thought that an alternative medicine would have a significant impact on Schering's earnings.

In the opposite direction, Ares-Serono, the Swiss pharmaceuticals group, picked up SFr99, or 16.5 per cent, to SFr700: Mrs Birgit Kulhoff at UBS in Zurich explained that Ares held the patent for the production process for beta interferon which Biogen, the American drugs company, had claimed was superior to Schering's Betaseron anti-multiple sclerosis drug.

FRANKFURT weakened slightly in the official session but made up some of this lost ground after hours, helped by strength on Wall Street.

The Dax closed off 17.63 at 2,122.81 and in the Ibis moved to 2,134.12. Turnover amounted to DM6.1bn.

Commerzbank disappointed some investors with its first-half results, although there was general agreement that it would match 1993 results for the full year. The shares ended DM9 off at DM335.

Among other banks, Deutsche fell DM6.00 to DM728.50 and Dresdner DM5.50 to DM386.00. Elsewhere in the financial sector, Allianz was down DM42 at DM2,425.

James Capel has reiterated its buy recommendation on Deutsche, following its recent results: "Given that some further modest reduction in interest rates is to be expected, and that statistics for German industry's orders, output and confidence levels are getting better and better, and that hopefully, disasters on the scale of Metalgesellschaft and Schneider are things of the past, there is good reason to be optimistic."

ZURICH was firmer in derivatives-driven trade, and the SMI index, in negative territory for much of the session, picked up towards the close to finish 14.4 ahead at 2,559.3. Trading volumes were low.

Roche certificates, marked down to their low for the year of SFr5,160 at one stage, finished SFr10 down on the day at SFr5,290. A SFr100 decline in EMS to SFr4,000 was attributed to investors reducing the weighting of the stock in their portfolios.

Nestlé posted a SFr11 gain at SFr1,160, pushed up by a technical rebound following Wednesday's decline.

CS Holding rose SFr6 to SFr565 ahead of first-half results from Credit Suisse which could come today.

PARIS shrugged off the cut by the Bank of France in the repo rate – which had been long expected – and the CAC-40 closed a day of only moderate trading activity 2.26 softer at 2,053.04.

Most of the corporate news was announced after the close of trading. Elf Aquitaine, off 80 centimes at FFr411.10, said it was to sell an asset portfolio worth FFr1.1bn to BNP, FFr1 firmer at FFr259, in exchange for new shares which would lift its stake in the bank to above 4 per cent, from 1.86 per cent at present.

Roussel Uclaf also reported after hours that first-half net income had gained 44 per cent, the shares slipping FFr2 to FFr571 during the day; while Peugeot, which said that first-half turnover was up nearly 15 per cent, lost FFr1 to FFr829.

MILAN staged a technical recovery after the 4.3 per cent fall over the previous two sessions, but trading remained thin and the mood uncertain as investors awaited fresh developments on the political front. The Comit index rose 1.0 to 696.03.

Against the trend, Olivetti was heavily traded for the second consecutive session, prompting speculation of some shifting of shareholdings between investors. The shares gained L27 at L2,364 in volume of almost 14m.

Pirelli led the industrials higher, rising L99 to L2,811, with investors said to be reassessing recent cables contracts. Fiat ordinary shares rose L110 to L6,790, while the recently neglected preferred shares caught up with recent rises elsewhere, adding L80 at L4,070.

AMSTERDAM made forward progress although turnover remained low, as has been the trend in recent sessions. The Aex index rose 0.91 to 405.22.

Among the day's movers, IHC Caland put on Fl 1.30 at Fl 40.20 as the engineering and dredging group said it had won an order to provide equipment for the Suez canal.

MADRID was easier but off its lows, helped by the better tone in other European bourses and in the futures market. The general index gave up 1.64 at 309.54.

BCH shed Pta10 to Pta2,570 after announcing a 26.9 per cent fall in first-half pre-tax profits.

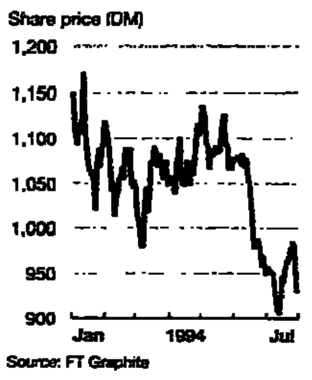
Argentaria, which posted a 10.1 per cent increase in first-half net profits, lost Pta60 at Pta5,670.

A Pta110, or 2.2 per cent, fall to Pta4,990 in Banco Santander was attributed to a decision to allow 47.3m new shares to trade in Madrid from today.

BRUSSELS finished mixed after recovering from early losses and the Bel-20 index firmed 0.92 to 1,451.44. Solvay was the star performer, adding BFr475, or 3.2 per cent, at BFr15,350 in response to Wednesday's better than expected first-half results.

Written and edited by John Pitt and Michael Morgan

Schering



Source: FT Graphite

FT-SE Actuaries Share Indices

Jul 28						THE EUROPEAN SERIES		
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1364.34	1363.73	1365.15	1364.62	1365.52	1364.13	1369.75	1372.12
FT-SE Eurotrack 200	1403.24	1402.85	1404.57	1404.58	1404.94	1401.96	1407.07	1410.54

	Jul 27	Jul 26	Jul 25	Jul 22	Jul 21
FT-SE Eurotrack 100	1370.08	1391.70	1384.93	1387.40	1371.54
FT-SE Eurotrack 200	1406.86	1424.29	1421.38	1424.29	1407.95

Base 1000 (26/10/90) High/day: 100 - 1373.14; 200 - 1411.12 Low/day: 100 - 1362.91 200 - 1400.70

ASIA PACIFIC

Nikkei recovers the 20,000 level on late buying

Tokyo

Dealers braced themselves for a sharp decline in share prices as the Nikkei 225 average fell through the 20,000 level in the morning session, but the index closed higher on buying by arbitrageurs and domestic institutions, *writes Emiko Terazono in Tokyo.*

It was finally 110.62 ahead at 20,247.85 after dipping to 19,993.70 in the morning and setting a day's peak of 20,262.55 just before the close.

Foreign investors took profits on blue chip exporters, while dealers sold to adjust their positions, pushing the index below 20,000 for the first time since May 18. Domestic institutions, along with public funds, later supported the index, restoring investor confidence.

Volume, however, remained low at 291.6m shares against 277m. The Topix index of all first section stocks put on 5.64 at 1,621.46 and the Nikkei 300 firmed 1.52 to 294.33. Falls outnumbered rises by 544 to 428, with 183 issues unchanged.

In London the ISE/Nikkei 50 index edged forward 0.82 to 1,312.70.

Some electrical issues, which met selling in the morning, recovered in the afternoon. Toshiba, the day's most active stock, rose Y5 to Y727 and Fujitsu gained Y20 at Y1,040. Others remained weak, Hitachi slipping Y7 to Y952 and Matsushita Electric Industrial shedding Y30 to Y1,630.

Brokers continued to lose ground: Nomura Securities shed Y30 to Y2,190 and Daiwa Securities Y40 to Y1,540. Banks, however, were higher on arbitrage buying, Industrial Bank of Japan appreciating Y20 to Y3,010 and Dai-Ichi Kangyo Bank moving up Y50 to Y1,860.

Speculators bought Ihara Chemical Industry, which advanced Y90 to Y1,300 in spite of the absence of any conspicuous news, while Mitsubishi Oil added Y10 at Y1,160.

Large-capital steels and shipbuilders closed firmer on buying by domestic institutions. Nippon Steel moved forward Y4 to Y334 and Mitsubishi Heavy Industries Y4 to Y770.

Mining shares were higher, with Sumitomo Metal Mining ahead Y9 at Y924 and Dowa Mining gaining Y2 at Y575.

In Osaka, the OSE average rose 3.41 to 22,498.81 in volume of 20.4m shares. The index improved for the first time in six trading days as buying by domestic institutions countered selling by overseas and individual investors.

Roundup

An early gain in Hong Kong, lost by the close, supported many of the region's markets, but turnover was generally low. Local investors in China, meanwhile, turned nervous.

HONG KONG closed flat after a volatile day as profit-takers erased all of an earlier 140-point rise.

The Hang Seng index finished just 0.48 ahead at 9,402.66 after touching the day's high of 9,541.63 in the morning on the strength of property issues.

Strong demand by foreign funds lifted the day's turnover to HK$6.28bn from HK$4.54bn.

Among property shares, Cheung Kong was up a net 10 cents at HK$37.30 after a day's peak of HK$38.20. Sun Hung Kai Properties advanced 40 cents to HK$49.60.

HSBC Holdings, HK$1.50 higher in early trade, finished unchanged at HK$91.75.

SHANGHAI's A share index crashed 9.2 per cent to a record low as investors, resigned to further declines, embarked on a round of selling. The index lost 33.92 at 336.22, for a two-day fall of 13.7 per cent.

The Shanghai exchange was officially launched in December 1990, but the index did not become a meaningful indicator until much later. Official newspapers put the previous record low close at 362.46 on November 17, 1992.

The index has plummeted by 79.5 per cent since its high of 1,640.71 was set on February 16 last year, affected by a national credit clampdown, rising bank interest rates and the success of this year's government bond issue.

Shanghai's B share index, however, gained as a result of a slight strengthening in Hong Kong's stock market, putting on 1.4 per cent at 68.39.

In Shenzhen, the A index also closed at an all-time low, falling 5.5 per cent, but the B index gained 0.4 per cent.

BOMBAY ended slightly firmer after a dull session during which cement and a few cash issues were the only ones actively traded. The BSE 30-share index hardened 5.70 to 4,106.97.

Shares in Gujarat Ambuja Cement led the rally in cement stocks, rising by 9 per cent before falling back slightly.

Gujarat Ambuja's shares recorded a year's high when touching Rs720, later slipping to Rs700, still Rs40 stronger on the day.

TAIPEI eased in a slow trading session as the market continued its period of consolidation after recent strength.

The weighted index receded 19.21 to 6,642.13 in turnover of T$94.08bn.

Among the most impressive performers, Taiwan Styrene Monomer, a major petrochemical manufacturer, advanced by the daily 7 per cent limit to T$87.00.

Brokers said the turnround in the plastics sector would continue to support prices in the near term because international demand for petrochemicals was still high.

MANILA was another market to move only marginally higher as investors were encouraged by gains elsewhere in the region.

The composite index was ahead 6.54 points at 2,791.14 after an intraday high of 2,813. Turnover came to 1.2bn pesos.

San Miguel, which reported a 40 per cent increase in its first-half net profits, slipped on profit-taking: the "B" shares lost 1 peso at 134 pesos.

SYDNEY rose in quiet trade, led by gains in blue chips. The All Ordinaries index firmed 0.4 to 2,042.1. Turnover amounted to A$544.1m.

BHP added 2 cents at A$18.70 and News Corp gained 3 cents at A$8.49.

TNT remained well supported on optimism of a turnround in its European operations, climbing 9 cents to A$2.69.

KUALA LUMPUR saw strong institutional and retail buying during the afternoon which took the market higher for the fifth straight day.

The composite index added 6.11 at 1,026.30.

Idris led the day's activity, rising 18 cents to M$4.84 in response to its plans to buy a 30 per cent stake in Aokam's plywood mill.

Time Engineering and Landmarks gained on news that they will be part of a consortium which has won the licence for a new electricity plant. Time rose 70 cents to M$8.05 and Landmarks put on 16 cents at M$5.10.

BANGKOK encountered late profit-taking after Wednesday's rally, pulling the SET index back from its best level to close 3.69 ahead at 1,371.83. Foreign institutional demand pushed turnover up to Bt11.66bn from the previous Bt6bn.

SEOUL was lower for the fourth session in a row in the absence of fresh factors to drive the market. The composite index declined 8.02 to 926.20.

WELLINGTON was led down by Telecom during another day of slow trade.

The NZSE-40 capital index ended 17.97 off at 2,008.95 in turnover of NZ$39m. Telecom retreated 12 cents to NZ$4.68.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JULY 27 1994								TUESDAY JULY 26 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	172.36	-0.6	168.92	105.79	141.23	156.09	0.0	3.56	173.46	168.55	107.45	143.07	155.15	189.15	139.16	139.30
Austria (17)	188.13	0.7	182.19	116.55	154.14	154.06	0.0	1.04	186.89	181.60	115.78	154.15	154.09	195.41	155.68	160.59
Belgium (37)	173.40	0.6	167.92	107.43	142.07	135.78	0.4	3.98	172.41	167.53	106.80	142.20	138.81	178.67	143.62	146.60
Canada (106)	126.64	-0.3	122.64	78.46	103.76	126.46	-0.3	2.68	127.01	123.40	78.67	104.75	126.89	145.31	121.56	125.12
Denmark (33)	271.25	0.3	262.68	168.05	222.24	228.62	-0.3	1.30	270.39	262.74	167.50	223.02	229.32	275.79	207.56	207.58
Finland (24)	163.27	2.0	158.11	101.15	133.77	177.55	1.2	0.79	160.08	155.56	99.17	132.03	175.42	163.27	97.82	97.82
France (97)	176.63	-0.2	171.05	109.43	144.72	149.22	-0.8	2.95	177.08	172.06	109.69	146.04	150.42	185.37	152.03	152.03
Germany (58)	144.03	0.3	139.48	89.23	118.01	118.01	-0.4	1.75	143.66	139.59	88.99	118.49	118.49	147.07	112.69	116.38
Hong Kong (56)	382.50	2.3	370.43	236.98	313.41	378.36	2.3	3.19	373.90	363.31	231.62	308.40	370.83	505.56	276.31	276.31
Ireland (14)	196.82	-0.4	190.61	121.94	161.27	183.29	-0.8	3.33	197.61	192.02	122.41	162.99	184.77	208.33	157.95	158.35
Italy (61)	83.89	-2.6	81.24	51.97	68.74	99.36	-2.3	1.52	86.12	83.68	53.35	71.03	101.73	97.78	57.86	69.00
Japan (469)	164.27	-0.4	159.08	101.77	134.60	101.77	-0.4	0.75	164.91	160.24	102.16	136.02	102.16	170.10	124.54	152.13
Malaysia (98)	479.83	0.9	464.69	297.28	393.16	479.19	0.9	1.70	475.61	462.15	294.63	392.29	475.62	621.63	345.09	345.09
Mexico (18)	2035.16	3.4	1970.89	1260.85	1667.49	7575.48	3.4	1.76	1968.75	1913.00	1219.58	1623.82	7330.22	2647.08	1582.33	1605.15
Netherland (27)	207.49	0.2	200.94	128.55	170.01	167.53	-0.4	3.39	207.16	201.29	128.33	170.87	168.27	207.64	166.65	166.65
New Zealand (14)	68.39	-0.1	66.23	42.37	56.04	60.41	0.4	3.96	68.48	66.54	42.42	56.48	60.14	77.59	52.88	52.88
Norway (23)	207.53	0.5	200.98	128.57	170.04	193.51	-0.1	1.71	206.45	200.60	127.88	170.28	193.65	207.53	157.21	158.44
Singapore (44)	344.78	-0.1	333.90	213.61	282.50	238.60	-0.2	1.76	345.51	335.54	213.91	284.82	240.32	378.92	250.05	252.63
South Africa (59)	291.29	0.8	282.09	180.46	238.66	290.00	1.1	2.14	288.90	280.72	178.96	238.29	286.59	292.64	175.93	209.21
Spain (42)	144.84	-0.2	140.26	89.73	118.67	142.37	-0.7	4.05	145.13	141.02	89.90	119.70	143.37	155.79	116.53	117.41
Sweden (36)	219.72	-0.4	212.78	136.13	180.03	251.21	-0.7	1.59	220.55	214.31	136.62	181.91	252.85	231.35	170.18	171.03
Switzerland (47)	155.93	-1.3	151.10	96.66	127.84	128.33	-2.0	1.86	158.05	153.58	97.91	130.36	132.04	178.58	127.14	127.15
United Kingdom (204)	192.68	-0.7	186.60	119.37	157.88	186.60	-1.0	4.05	194.00	188.50	120.18	160.01	188.50	214.98	174.49	174.49
USA (519)	184.82	-0.1	178.99	114.50	151.43	184.82	-0.1	2.91	185.11	179.87	114.67	152.68	185.11	198.04	178.85	183.40
EUROPE (720)	170.05	-0.5	164.68	105.35	139.33	154.10	-0.9	3.01	170.86	166.02	105.84	140.93	155.55	178.58	144.45	144.45
Nordic (116)	217.01	0.2	210.16	134.45	177.81	212.03	-0.2	1.40	216.53	210.40	134.13	178.59	212.59	220.60	161.84	161.84
Pacific Basin (749)	172.14	-0.2	166.71	106.65	141.05	111.77	-0.2	1.07	172.50	167.62	106.86	142.28	111.97	178.86	134.79	155.38
Euro-Pacific (1469)	171.13	-0.3	165.73	106.02	140.22	128.61	-0.5	1.88	171.68	166.82	106.35	141.60	129.25	173.89	143.88	150.77
North America (624)	181.21	-0.2	175.49	112.27	148.48	180.82	-0.1	2.90	181.50	176.36	112.44	149.70	181.11	192.73	175.87	178.79
Europe Ex. UK (516)	153.91	-0.4	149.05	95.35	126.11	135.47	-0.9	2.41	154.47	150.09	95.69	127.40	136.82	157.47	125.65	125.65
Pacific Ex. Japan (280)	250.48	0.8	242.55	155.17	205.21	223.94	1.0	2.88	248.38	241.35	153.86	204.67	221.66	298.21	187.55	187.55
World Ex. US (1651)	172.18	-0.3	166.74	106.67	141.07	132.00	-0.4	1.91	172.62	167.73	106.93	142.38	132.55	174.78	145.58	151.30
World Ex. UK (1966)	173.67	-0.2	168.19	107.59	142.29	144.71	-0.2	2.06	173.97	169.04	107.77	143.49	145.03	175.96	155.90	159.79
World Ex. So. Af. (2111)	174.64	-0.2	169.12	108.19	143.09	147.45	-0.3	2.25	175.04	170.09	108.43	144.38	147.96	176.58	158.54	160.90
World Ex. Japan (1701)	183.46	-0.1	177.99	113.68	150.34	175.66	-0.3	2.81	183.75	178.55	113.83	151.56	176.19	188.20	167.85	167.85
The World Index (2170)	175.56	-0.2	169.62	108.64	143.68	148.50	-0.3	2.25	175.75	170.77	108.87	144.96	148.99	178.97	156.85	161.11

Latest prices were unavailable for this edition.

VIEWPOINT

The Commerzbank report on German business and finance 7/94

Germany's EU presidency: jobs and the East deserve priority

The process of Western European integration has suffered three major setbacks in recent years: 1993, the first year of the completed single market, saw the first decline in the Community's real GDP in almost two decades; the EMS, intended to be the forerunner of monetary union, collapsed last summer; and, last but not least, the goal of a common foreign and security policy, the second pillar of the Maastricht treaty, was shown to be an illusion in the face of the carnage in former Yugoslavia.

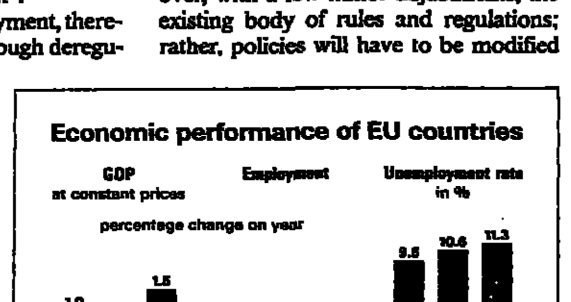
Now, with economic recovery under way and the prospect of EU enlargement through the accession of four Efta countries at the beginning of next year, the tide may turn. At this critical juncture, Germany has assumed the EU presidency for the next six months, and the German government seems determined to put European integration firmly back on track.

"Eastern enlargement poses no threat to jobs in the EU."

Strategy for growth

If it is to regain credibility and support among the people of Western Europe, the EU has to present a convincing and coherent strategy for growth and employment, i.e. one which can be expected to achieve the objective stated in its white paper of halving the unemployment rate by the end of the decade. This goal is ambitious but not illusory. Infrastructure projects such as those proposed for Europe's road, rail and telecoms networks could create new jobs provided that a sound financing is guaranteed. This is dictated by the unprecedented scale of government deficits in EU countries and the very high level of taxes in member states such as Germany, which leave no room for "more government".

The problem of unemployment, therefore, can only be tackled through deregulation, improved labor-market flexibility, tight cost control, policies to enhance competition, and measures to boost job skills. Even though national governments still bear responsibility for key areas here, a broad consensus among EU countries would lend momentum to the process and make it easier to overcome the opposition of national pressure groups.



While probably considered to be less urgent by the public, East-West relations within Europe are the second major topic which the EU must address. The current half-hearted offer of access to its markets is not sufficient to ensure that democracy and market economies take root in Central and Eastern Europe. It is also not enough simply to state that associated countries may become full EU members as soon as they are able to meet the obligations of membership – including adherence to the aims of political, economic and monetary union. This could take decades to achieve.

The most obvious economic bone of contention is the Common Agricultural Policy. Estimates put the cost of extending the system to Poland, Hungary, the Czech Republic and Slovakia at DM 70 billion per year, i.e. twice the present level. Huge sums would also be required for structural funds. All in all, the EU cannot simply expect these newcomers to take over, with a few minor adjustments, the existing body of rules and regulations; rather, policies will have to be modified to reflect the very different structural features of the countries concerned.

While Germany, at the crossroads between East and West, is more strongly affected than other countries – both positively and negatively – by what happens in Eastern Europe, it should not be deterred from championing the cause of Eastern integration by charges that it is merely advancing its own interests. Closer links are clearly in the interest of Western Europe as a whole. And far from posing a threat to jobs, they will help the EU to solve its unemployment problem, given a more positive attitude to structural change.